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NATIONAL
RESTAURANT
ASSOCIATION

FOODSERVICE TRENDS

Volume 2, Number 8
November, 1980

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

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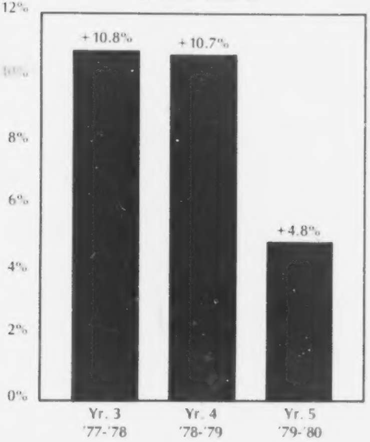
CUSTOMER TRAFFIC DECLINES SHOWN BY CREST

CREST (Consumer Reports on Eating Share Trends) has recently completed its fifth year and can now provide us with detailed information concerning changes in consumer eating out patterns during the past five years. The following highlights are from the most recent year ending August 1980, with comparisons made to the year ending August 1979. (For information related to consumer behavior in the Summer Quarter—June, July, August 1980—see the CREST Report supplement.)

- CREST sales for the commercial sector of the foodservice industry posted a gain of only 4.8 percent in the year ending August 1980, compared to substantially higher gains of 10.7 percent and 10.8 percent in the previous two years.
  —Fast food restaurant sales rose 12.0 percent in the most recent year and family restaurant sales posted a gain of 8.7 percent.
  —Sales declined by 0.6 percent at cafeterias and by 3.7 percent at coffee shops during this same period.
- Customer traffic declined for the second consecutive year falling by 3.8 percent in the period ending August 1980. The decline would have been larger except for the good showing in the Winter Quarter when traffic counts rose 1.0 percent. For the previous year ending August 1979 customer traffic decreased by 1.1 percent. As a result, customer count in the most recent year was nearly 5.0

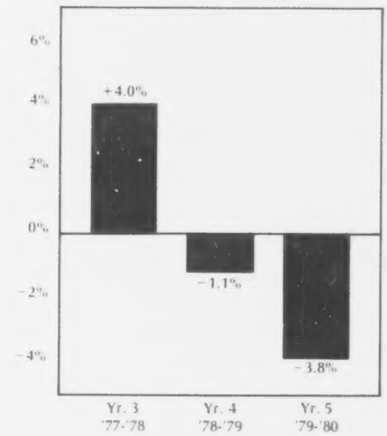
SUMMARY: CREST YEAR 5
SEPTEMBER 1979-AUGUST 1980

Percent Change in Dollar Sales (Year 3-Year 5)



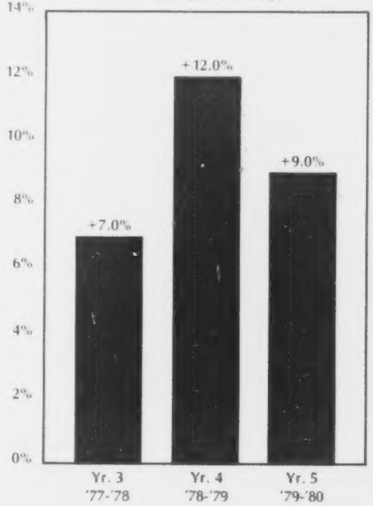
SOURCE: CREST.

Percent Change in Customer Traffic (Year 3-Year 5)



SOURCE: CREST.

Percent Change in Per Person Check Size (Year 3-Year 5)



SOURCE: CREST.

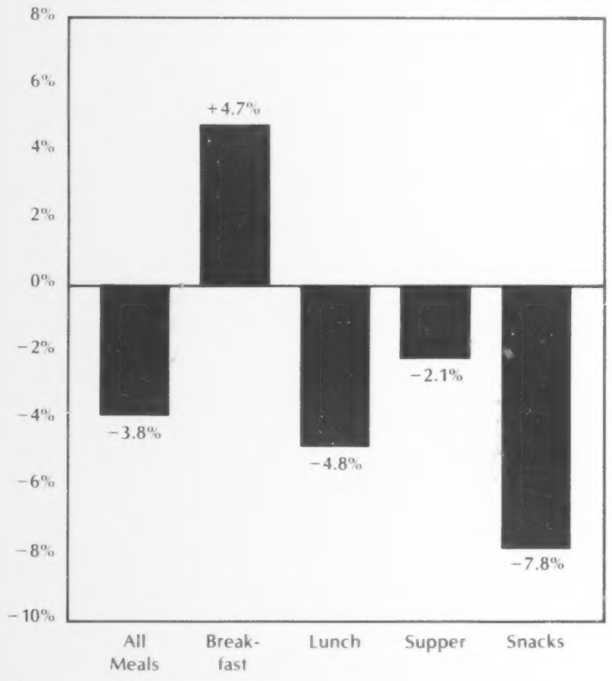
percent below the level of two years ago.

- —Contrary to the overall decline, fast food and family restaurants both experienced traffic gains of 2.2 percent and 1.3 percent respectively for the period ending August 1980.
- —On the other hand, sharp traffic losses were noted at cafeterias and coffee shops, while traffic at atmosphere-specialty restaurants declined at the same rate as the industry.

- The recent 4.8 percent advance in restaurant sales is entirely attributed to an increase in the average per person check size of 9.0 percent since customer count was off.
  - —The average per person check size at fast food restaurants rose 9.9 percent in the year ending August 1980 and sales were up 12.0 percent, resulting in a real sales gain of 2.1 percent. Fast food restaurants were the only restaurant type to experience a real sales gain last year.
- The decline in customer traffic was due in part to fewer families eating out in the most recent year. The proportion of the families eating out declined from 78.45 percent for the year ending August 1979 to 77.86 percent for the year ending August 1980, indicating that some families dropped out of the market. In addition, there was a considerable cutback in frequency of eating out by CREST families. In the most recent year CREST families ate out an average of 8.54 times in a two week period compared to 9.00 times in the prior year. This represents a 5 percent decline in frequency of eating out.
- Breakfast was the only meal period to experience traffic gains in the most recent CREST year. Customer counts were up 4.7 percent over the previous year for the morning meal compared to an overall industry traffic loss of 3.8 percent. On the other hand, traffic did not hold up nearly so well for the other meal times, with supper traffic down 2.1 percent, lunch down 4.8 percent and snacks down 7.8 percent.
- Not surprisingly, promotional usage increased dramatically this past year as operators attempted to attract more customers. In the year ending August 1980, 8.22 percent of the occasions involved a promotion versus only 6.99 percent of the occasions for the year ending August 1979. Thus, promotional activity was up about 18 percent.

From time to time additional information from the most recent CREST year concerning meal occasions, restaurant types and the fastest growing food and beverage items will appear in *Foodservice Trends*.

Percent Change in Customer Traffic By Meal Period (Sept. '78-Aug. '79 vs. Sept. '79-Aug. '80)



SOURCE: CREST.

NOTICE TO OUR READERS

We have adopted a new publishing schedule for *Foodservice Trends* which we believe will still provide our readers with pertinent information on the industry on a monthly basis. For six months of each year we will publish our usual 12 page issue, such as this one, complete with information on food prices and supplies, industry sales forecasts, CREST information and overall economic data. In the remaining six months we will publish a four page supplement to the *Washington Report* similar to those which appeared in the September 26, 1980 and October 24, 1980 issues.

We feel that such a move will not only reduce the number of mailing items received by the members but also help NRA to economize on its publication and mailing costs.

NEW RESTAURANT OPERATORS PANEL PUBLISHES INITIAL RESULTS

You Too Can Participate!

Recently released figures from the new "National Trend of Business in the Restaurant Industry" show that industry sales growth improved substantially in August compared to July. August sales were nearly 9 percent above a year earlier while the gain in July was 5 percent. Food costs for restaurant operators accelerated at the same time, however, moving up about 8 percent in August.

These timely figures are from a newly launched restaurant operators panel sponsored by the NRA and the accounting firm of Laventhol & Horwath. The purpose of this monthly panel, in which all restaurant operators are urged to participate, is to provide NRA members with a unique means of comparing their own operations to averages for similar restaurants. The monthly information generated by the panel is not currently available to NRA members from any other source.

Panel participants receive up-to-the-minute comparative information on:

—food and beverage sales
—food cost
—beverage cost
—food and beverage cost as a percent of sales
—payroll
—average check
—sales per seat
—customer count

Each month participants receive an individualized report comparing their own operating results with those for all participants. In addition, we will periodically publish detailed analyses in *Foodservice Trends*.

All that a panel member is asked to do is complete a short card each month. The sales and cost information given will remain confidential with Laventhol & Horwath.

Future possibilities for this unique restaurant operators panel are enormous. As more and more NRA members join the panel much more detailed information will become available. For example, comparative sales, cost and customer count data will be available for the following: type of establishment, region, average check size, and seating capacity.

Our goal is to develop panel participation to such an extent that local area or state-by-state operating information will be available. What could be more valuable than the ability to compare your operating characteristics to those for similar restaurants in your area?

To achieve this goal we urge each NRA member to join this valuable restaurant operators panel. If you wish to become a participant, please fill in your name and address below. Fold the postage free mailer and return to NRA. If you have any further questions contact Bette Hoyt, National Restaurant Association, 311 First Street, N.W., Washington, D.C. 20001 202/638-6100.

National Trend of Business in the Restaurant Industry*

	Percent Change	
	July '80	**August '80**
Food & Alcoholic Beverage Sales	+ 5%	+ 9%
Food Sales	+ 4%	+ 8%
Alcoholic Beverage Sales	+ 8%	+11%
Food & Alcoholic Beverage Cost	+ 7%	+ 8%
Food Cost	+ 6%	+ 8%
Alcoholic Beverage Cost	+10%	+ 8%
Payroll Cost	+ 8%	+ 5%
Average Check	+ 5%	+ 5%

*Should not be considered representative of the industry because response is limited.

Participant Request

Please complete and return if you wish to join the panel.

National Trend of Business in the Restaurant Industry

Restaurant Owner/Manager

Name of Restaurant

Address

City State Zip

Telephone ( )

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Washington, D.C. 20001

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Use this self-mailer to return
the NRA questionnaire.
Fold and staple with the
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And Staple

NATIONAL
RESTAURANT
ASSOCIATION

CREST REPORT

Quarterly Supplement to
Foodservice Trends
November, 1980

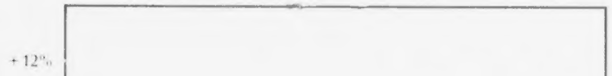
Crest Highlights

- **Customer traffic declined by 4.1 percent in the Summer Quarter over the same period last year.**
- **Families continued to decrease their frequency of dining out, with especially sharp cut backs on visits to cafeterias and coffee shops.**
- **Industry sales rose 4.1 percent in the Summer Quarter compared to a considerably smaller rise of 1.2 percent this past spring.**
- **Promotional usage by operators continues at a high level, with 7.8 percent of the occasions in the Summer Quarter involving a promotion versus only 6.4 percent of the occasions last summer.**
- **Traffic rose 4.4 percent at family restaurants and 0.9 percent at fast food restaurants.**
- **Breakfast was the only meal to experience an increase in traffic counts. Customer traffic for breakfast rose 7.2 percent in the Summer Quarter over the same period last year.**

CUSTOMER TRAFFIC DECLINES 4% IN SUMMER QUARTER

Restaurant traffic counts remained depressed in the Summer Quarter (June, July, August) in spite of signs that the economy was improving. Traffic in the Summer Quarter declined by 4.1 percent from the same period in 1979 compared to a steeper decline of 5.6 percent in the previous quarter, according to recent data from CREST. This drop in traffic is not nearly as disastrous as that experienced last summer when restaurant customer counts were down 9.1 percent. However, last year's gasoline shortage was primarily responsible for the industry's poor performance at that time, while a weak economy and higher prices for most goods and services were the major factors contributing to this year's traffic declines. The industry now finds its customer counts considerably below those of two years ago.

Percent Change in Quarterly Customer Traffic (Summer '78-Summer '80)



SOURCE: CREST.

Many economists feel that the nation is now pulling out of its recession, and this should be good news for the foodservice industry. Manufacturers, particularly in the automotive industry, have begun recalling laid-off workers, and as a result, the employment picture has improved. In addition, inflation has moderated and energy prices have stablized. The outlook for the industry in 1981 should be better. A review of the National Restaurant Association's 1981 sales and economic forecast will be published in the December issue of *Foodservice Trends*.

Frequency of Eating Out Continues to Decrease

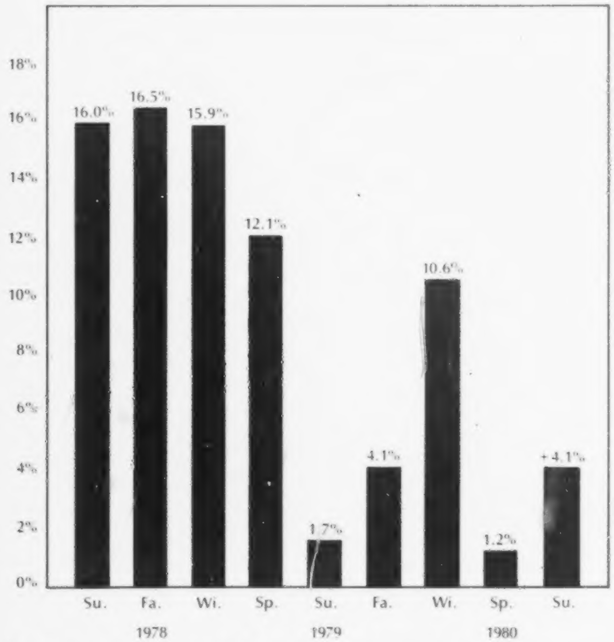
The primary cause for the current traffic softness is that consumers are satisfying a smaller portion of their eating needs at restaurants than they did a year ago. This is evident when visit frequency, the number of times each restaurant patron family actually goes to a restaurant, is examined. During the Summer Quarter the number of visits per family declined by 5.4 percent, a slight improvement over the 5.6 percent drop in the previous quarter and considerably better than the 7.4 percent decrease in last year's Summer Quarter.

When visit frequency by restaurant type is analyzed, it can be seen that most of the decrease can be attributed to substantial cut backs in visits to cafeterias and coffee shops. On the other hand, visit frequency increased at take out restaurants and remained relatively unchanged at fast food, family and atmosphere-specialty restaurants.

Also contributing to Summer's traffic decline was a slight drop in the average party size of 0.5 percent, equal to the decline in the previous quarter. In comparison, average party size had increased by 1.4 percent in last year's Summer Quarter.

The number of families eating out (family reach), increased slightly in the most recent quarter, however, with the total number of families visiting a restaurant in the two week period rising by 1.0 percent from the same period in 1979. This compares to a 0.6 percent gain in the previous quarter and a decline of 3.4 percent in 1979's Summer Quarter.

Percent Change in Quarterly CREST Sales (Summer '78-Summer '80)



Sales based on total U.S.; average for 2 weeks period each quarter.

SOURCE: CREST.

Restaurant Sales Rise 4.1%

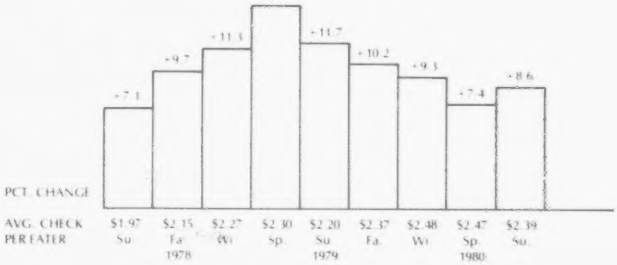
Restaurant industry sales rose only 4.1 percent this Summer Quarter over the summer of 1979, according to CREST information. While this is a significant improvement from the Spring Quarter when sales rose only 1.2 percent, it reflects little recovery from the industry's recession.

Summer vacations were probably curtailed by many consumers because of the high price of gasoline and higher prices for many other travel related goods and services. As a result, industry sales were somewhat depressed. We do expect to see a slight strengthening in industry sales during the next few months. Overall inflation has begun to moderate and consumers do not feel as hard pressed economically as they did earlier this year. In addition, food prices at the grocery store have begun rising faster than menu prices, and consumers may now perceive eating out as a good value for their money.

The rate of increase in average expenditure for a restaurant meal or snack (Eater Check Size) was larger in the Summer Quarter than in the Spring Quarter. During the June-July-August period the average per person check size rose 8.6 percent over the same period last year versus an increase of 7.4 percent in the previous quarter. However, this recent increase is still below the double digit levels of much of last year as shown in the accompanying chart. It should be noted that changes in the average check size can also be due to consumers ordering fewer items or less expensive items as well as more moderate price increases.

Consumer Price Index data also confirm that menu prices have been advancing at a slower pace this past Summer than last year. Although food prices will move upward before the end of the year, the rate of increase for menu prices will probably rise only slightly.

Average Per Person Check* (Summer '78-Summer '80)



*Based on average two week period.

SOURCE: CREST.

Promotional Activity Up Over Last Year

The Summer Quarter CREST data indicate that restaurant operators are continuing to use promotions as a means of increasing customer traffic. The percent of occasions involving a promotion this Summer was 7.8 percent, considerably above last Summer's level of 6.4 percent but below the peak quarters of Winter and Spring when 8.7 percent of the occasions involved a promotion.

A look at promotion usage by restaurant type shows that all types of restaurants stepped up their usage of promotions, with the highest usage at fast food, atmosphere-specialty and family restaurants. Promotion usage at fast food restaurants experienced a considerable increase, rising from 7.6 percent of the occasions in the Summer of 1979 to 9.8 percent in the Summer of 1980.

Percent of Occasions Utilizing a Promotion

	Winter (D-F)	Spring (M-M)	Summer (J-A)	Fall (S-N)
1978	7.4%	7.3%	5.6%	7.3%
1979	7.7%	6.7%	6.4%	7.7%
1980	8.7%	8.7%	7.8%	

SOURCE: CREST

Traffic Increases at Family and Fast Food Restaurants

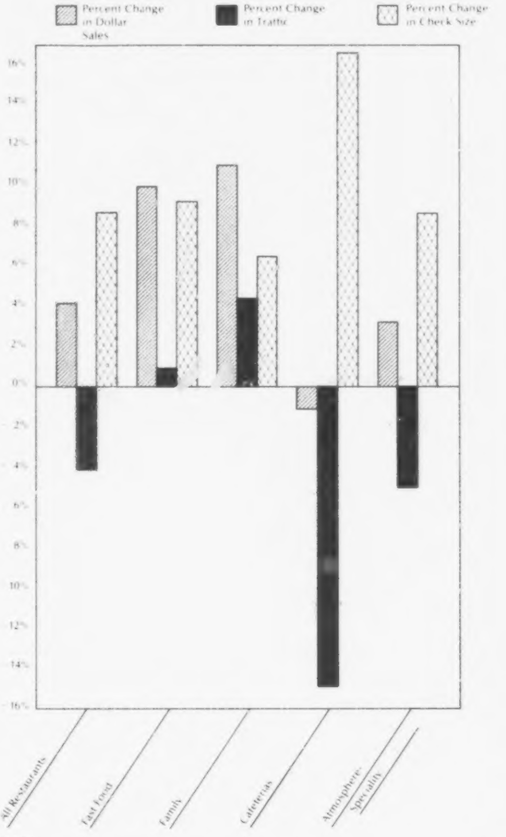
In the most recent quarter, customer traffic rose 4.4 percent at family restaurants over the same period in 1979. In comparison, traffic counts were off 0.7 percent in the previous quarter. A more moderate increase in average per person check size, 6.5 percent versus 8.6 percent for all restaurants, increased usage of promotions and no change in visit frequency by CREST families probably helped to boost customer counts for family restaurants during the June-July-August period.

Traffic at fast food restaurants rose 0.9 percent in the Summer Quarter over the same quarter in 1979, compared to a traffic decline of 0.4 percent in the Spring Quarter. High usage of promotions by fast food operators and an increase in the number of families eating in fast food establishments contributed to this segment's relatively good performance this past summer.

Atmosphere-specialty restaurants suffered a 5.0 percent traffic drop in the Summer Quarter, a considerable improvement over the 10.3 percent traffic loss in the Spring. Increased use of promotions and less rapid rises in per person check sizes were contributing factors to the better performance of these establishments. In addition, CREST families continued to visit atmosphere-specialty restaurants as frequently in the Summer of 1980 as they did in the Summer of 1979.

Traffic delcines were largest at cafeterias and coffee shops. More rapid increases in per person check size than the industry average and decreased visit frequency contributed to substantially lower customer counts for these segments.

Summer Quarter Performance By Selected Restaurant Type



SOURCE: CREST.

Breakfast Traffic Increases for Fourth Consecutive Quarter

As in previous quarters not all meal occasions suffered the decline in customer traffic equally. Breakfast customer counts rose 7.2 percent in the Summer Quarter over the same period last year. This marks the fourth straight quarter that the morning meal has enjoyed traffic gains, with the most recent performance outpacing the previous periods. Breakfast's good showing can be attributed to an increase in visit frequency as well as its perceived good value because of the slower rise in average per person check size. CREST researchers believe that breakfast has benefited from the traffic loss in morning snack occasions and reflects the consumer's trade from a small to a more complete meal in the morning.

Snacking occasions continue to show the largest decline in customer count. The number of snacking occasions this past Summer Quarter declined by 7.5 percent due primarily to a drop in visit frequency. In addition, a 12.4 percent increase in average per person check size most likely caused a decline in the perceived value of snacking occasions by consumers.

Lunch occasions decreased by 6.3 percent in the Summer Quarter compared to a smaller drop of 4.5 percent in the Spring Quarter. Lunch prices continue to rise at a more rapid pace than overall restaurant prices, 9.1 percent versus 8.6 percent. CREST information shows that fewer families were eating lunch out in the most recent quarter and that those families who did eat out were doing so less often. In addition, the number of unemployed persons was rising during this period meaning that fewer people were faced with the necessity of eating out for the noon day meal.

Supper traffic declined at a slower rate than overall restaurant traffic in the June-July-August quarter, down 1.9 percent compared to a 4.1 percent drop for the industry. This is a significantly better performance than in the Spring Quarter when supper customer counts were off 5.8 percent. Increased use of promotions and a slower rise in per person check size than average (6.2 percent versus 8.6 percent) probably led many consumers to see a good price/value relationship for supper.

WHAT IS CREST?

Launched in September 1975, The CREST (Consumer Reports on Eating Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study name refers to chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor. Readers wishing more information on how to participate in the CREST study should contact NPD Research, 9801 West Higgins Road, Rosemont, Illinois 60018.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

ROPER REPORTS: CHANGES IN EATING OUT BEHAVIOR

Recent information from the July public opinion poll conducted by the Roper Organization indicates that consumers have altered some of their eating out behavior in response to higher prices for most goods and services and declining real incomes. In this survey adults were questioned about what they were doing to cut down on their living expenses, and restaurateurs may be particularly interested in the answers from respondents who said they were spending less on eating out.

The Roper poll asked respondents which, if any, of four things they were doing to make a serious effort to cut down on their living expenses. Reducing expenditures for eating out ranked second as shown in the accompanying table. Forty-two percent said they had curtailed spending for dining out versus 58 percent who said they had not. In comparison, a slightly higher 43 percent stated they were cutting back on expenses for entertainment, 38 percent were reducing spending on clothing and 36 percent indicated they had cut back on expenditures for groceries. On the other hand, nearly three out of ten of those surveyed reported they were not doing anything to reduce their living expenses.

An analysis of the demographic characteristics of those respondents who indicated they were spending less on eating out helps explain why the industry has been experiencing modest sales gains this year. The 18 to 29 year olds as well as the 30 to 44 year olds say they have spent less on eating out in the past month or so. Information from CREST indicates that about 50 percent of the restaurant sales dollars and 40 percent of the patrons are between the ages of 18 and 45. Since this group has most likely reduced expenditures for dining out, according to the Roper survey, it is easier to understand why our industry sales have not been rising as rapidly as in previous years.

In the Past Month or so, Have You Made a Serious Effort to Cut Down on the Amount of Money You Spend on Any of These Things?

Entertainment	43%
Eating Out	**42%**
Clothing	38%
Groceries	36%
None	28%
Don't Know	1%

The Roper poll also showed that middle income respondents and respondents in white collar occupations were curtailing the amount spent on eating away from home. In addition, 51 percent of the families with children under 13 stated they were spending less on dining out compared to 42 percent of the families with teenaged children.

Consumers Curtailing Number of Restaurant Visits

The Roper Organization went on to question those who said they had cut back on eating out expenditures in order to pinpoint ways consumers were reducing their spending for restaurant meals. The most frequently cited method was eating out less, with 33 percent saying that this was the manner in which they were curtailing their restaurant expenses. (CREST data reported in other articles in this issue of *Foodservice Trends* also point out that consumers are dining out less frequently than they had in the past.) An analysis of the demographic characteristics of those who are eating out less indicates that those under 45 and with incomes over $15,000 are eating away from home less often. In addition, respondents who are college educated and employed in white collar occupations were also more prone to eating out less. Since CREST data indicate that a high proportion of industry sales and patrons come from these demographic groups, it helps explain why our industry has been experiencing some hard times this past year.

Other respondents stated they were eating in less expensive places or eating more often in fast food restaurants in an effort to curtail eating out expenditures. Eleven percent stated they were dining out in less expensive restaurants, with the 30 to 44 year olds, incomes over $25,000, Westerners, white collar workers and families with children under 13 most likely to follow this course of action. Nine percent said they were eating more often in fast food restaurants. This was especially true for those under 45, middle income families, blue collar workers and families with children under 13. Information from CREST, as reported in other sections, states that traffic at fast food restaurants has increased recently, and respondents' answers to this question provide a good explanation for this phenomenon.

Those surveyed by the Roper Organization also indicated that they were cutting back on eating out expenses by ordering fewer items or ordering less expensive menu items. Five percent said they were eating out at the same restaurant but ordering cheaper menu items, and this was especially true for upper income families and white collar workers. Cutting down or cutting out desserts and beverages were other methods used by respondents in an effort to reduce eating out expenses.

In Which of the Following Ways, if Any, Are You Cutting Down on the Amount You Spend Eating Out?

Cutting down on the amount spent on eating out	42%
Eating out less often	33%
Eating in less expensive restaurants	11%
Eating more often in fast food restaurants	9%
Eating out at the same places but ordering less expensive items on the menu	5%
Cutting down or cutting out beverages or drinks when eating out	4%
Cutting down or cutting out desserts when eating out	4%
None	1%
Not cutting down on amount spent on eating out	58%

Frequent Dining Out Still Common

Although recent information has shown that restaurant traffic has declined, dining out for the evening meal is more common now than in 1977. A Roper Organization survey in May reports that the proportion who dined out at least once in the past three months has gone up six points, from 71 percent to 77 percent.

More importantly, frequent dining out for supper is more common. In 1977, 26 percent of the respondents did so at least five times during the prior three months compared with 31 percent this year. In addition, only 10 percent of those surveyed in 1980 stated they had not been out to dinner at all in the past ninety days versus 14 percent in 1977.

In the Past Three Months, About How Many Times, if Any, Have You and Another Person, or You and Two or Three Other People Gone Out for Dinner?

	June 1980	June 1977
Not at all	10%	14%
Once	12%	13%
Twice	14%	13%
3 or 4 times	19%	18%
5 to 8 times	12%	11%
9 to 13 times	10%	7%
14 or more	9%	8%
Don't know/never go out to dinner	14%	15%

SUGAR PRICES MOVING UPWARD

Sugar prices at the wholesale level have averaged 43.0 percent higher in the first nine months of this year compared to the same period last year, according to data from the Producer Price Index. In comparison, wholesale sugar prices were up only 8.3 percent in 1979. U.S. sugar prices closely follow world sugar price movements, and a drop in world production as well as an increase in world consumption have caused overall sugar prices to move upward.

Total world sugar production in 1979/80 is estimated at 85.4 million metric tons, approximately five million tons below the previous year. Output has dropped in six countries—India, Brazil, Cuba, Thailand, Soviet Union and Spain-because of poor weather conditions, disease and planned production cut backs. Output in 1980/81 is expected to total 87 to 92 million metric tons, with the exact level dependent on damage due to disease and bad weather. World sugar consumption has been increasing, up 1.6 percent in 1979 and 1.0 percent in 1980 and should total 92 million metric tons this year. As a result, sugar stocks are being reduced, causing prices to rise this year and throughout much of next year. However, the larger output for 1981 should result in more moderate price increases next year.

U.S. Sugar Production Up Marginally in 1980/81

The weather for growing domestic sugar crops varied from very poor to very good this year. Michigan and Ohio enjoyed unusually good weather for growing sugarbeets, while the Minnesota-North Dakota area suffered from extreme drought. The irrigated areas of the plains, the northwest and the southwest had adequate water and produced crops with normal yields. Rain, or lack of rain, was also a factor in the sugar cane growing regions of Texas and Louisiana. In addition, many areas in Hawaii received too much rainfall, delaying the harvest. Overall, but particularly because of the drought damage to the Minnesota-North Dakota beet crop, the 1980/81 total U.S. beet and cane sugar production is expected to be only marginally better than 1979/80's 5.58 million tons.

Higher costs this year for motor fuel, fertilizer and farm supplies and equipment have caused input prices for farmers growing sugar crops to rise as much as 15 percent over the previous year. This is significantly above 1979's 7.0 percent increase. Because of higher parity and market prices in 1979/80 most sugarbeet and sugarcane growers were able to make a profit on their crops and are expected to continue or increase present production levels. Higher input prices are predicted for the 1980/81 crop year, but growers should be able to maintain margins because of rising world sugar prices.

Although this nation is dependent to a great extent on imported sugar, this dependence is declining. In 1979, sugar imports accounted for 46.6 percent of our sugar supplies, down from 50.6 percent in 1977. For the first six months of 1980 sugar imports have totaled 2.1 million short tons (raw value), a decrease of 416,000 tons from the same period in 1979. Imports in calendar year 1980 are expected to total around 4.5 million tons compared to 5.0 million last year.

Per Capita Sugar Consumption Declining in U.S.

Although per capita sugar consumption has been rising in many parts in the world, it has been steadily declining in the U.S. Per capita refined sugar use for the United States totaled 42.5 pounds in the first half of 1980, nearly 2 pounds less than in the first half of 1979. For all 1980, consumption may fall 2 to 3 pounds short of 1979's 91.1 pounds, according to Department of Agriculture economists. This would be the lowest per capita level since the sugar-short years of World War II and slightly below the 90.2 pound level of 1974 when prices rose dramatically.

Per capita consumption of sugar in this country appears to be closely related to the price of sugar and the use of sugar substitutes, especially high fructose corn sirup. During the seventies per capita consumption of high fructose corn sirup has increased from 0.7 pounds per person to 15.4 pounds, while per capita sugar consumption has declined from 101.8 pounds to 91.1 pounds. Much of the increased consumption of high fructose corn sirup has been due to a rise in the usage of this sweetener in soft drinks.

NRA FOODSERVICE TRENDS

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Robert B. Neville — Acting Executive Vice President
Susan F. Mills — Director, Research and Information Services

Bette B. Hoyt — Editor

Corn Sweetener Prices to Rise

As sugar prices and sugar supplies have become more volatile in recent years, many manufacturers who use large quantities of sugar have turned to alternative sweeteners. In partiuclar, these major sugar users have turned to corn sweeteners because supplies are less volatile and prices have risen more moderatley.

Corn sweetener prices, however, have strengthened significantly since January. High fructose corn sirup (HFCS) prices have risen nearly 60 percent this year reaching a high of 27.96 cents a pound in early August. HFCS list prices are still about 12 to 14 cents a pound below comparable reported sugar prices. These recent increases in corn sweetener prices have been due to higher prices for competing sugar as well as increasing corn prices, expanding product demand and tight processing capacity.

Prices for HFCS are expected to increase next year despite an increase in supplies. In 1981, the domestic corn grind for starch and corn sweeteners could well top 500 million bushels, up 7.5 percent from this year. However, prices will move upward because of increasing demand and higher prices for competing sugar. In addition, the U.S. corn crop is smaller in 1980 than it was in 1979, and as a result, overall corn prices are also predicted to rise about 15 percent.

Operators Will be Faced With Higher Costs for Sugar and Sugar Products

The higher prices at the wholesale level for sugar and corn sweeteners will mean that restaurant and foodservice operators will be paying more not only for sugar, but also for bakery products and non-alcoholic beverages such as soft drinks. These components in NRA's Food Cost Index account for 15.2 percent of the food purchases made by restaurants. Thus, rapid increases in these commodities can adversely affect food costs for operators.

During the first nine months of this year wholesale bakery product prices have averaged 12.1 percent higher than in the same period in 1979, flavored syrup (used for fountain soft drinks) prices have averaged 18.0 percent higher and non-alcoholic beverages have risen 12.5 percent. Sugar and corn sweetener prices are not expected to rise as dramatically in 1981 as they did in 1980 and as a result operators can probably expect price increases for sugar and sugar products to be more moderate next year.

Commodity Price Index

COMMODITY	1978-1979	Percent Change Sept. 79-Sept. 80	9 mos. 79-9 mos. 80	Aug. 80-Sept. 80
Bakery Products	10.0%	9.3%	12.1%	0.5%
Flour & Cereal	12.4%	8.7%	13.2%	1.8%
Beef & Veal	24.7%	3.6%	4.0%	(4.3%)
Other Meats	(2.8%)	12.0%	(20.2%)	1.3%
Pork	(6.4%)	12.5%	(10.1%)	1.0%
Lamb	5.9%	5.9%	(0.3%)	(2.8%)
Poultry & Eggs	0.7%	24.7%	3.0%	6.6%
Poultry	(2.8%)	31.9%	(1.4%)	6.6%
Eggs	11.3%	7.4%	7.2%)	6.5%
Fish & Shellfish	22.6%	(5.9%	0.9%)	(0.8%)
Sugar & Sweets	6.9%	41.6%	30.2%	(0.8%)
Sugar	8.3%	57.1%	43.0%	(1.6%)
Vegetables	2.0%	33.6%	3.2%	7.0%)
Fresh Vegetables	0.5%	53.6%	2.2%	10.2%
Fruits & Juices	8.7%	7.0%	4.9%	(0.1%)
Fresh Fruit	5.8%	12.6%	4.7%	(0.3%)
Beverages	0.8%	1.4%	11.8%	(2.1%)
Dairy Products	12.1%	7.2%	9.2%	0.5%
Fats & Oils	6.4%	3.1%	5.2%	(0.1%)
NRA Food Cost Index	**12.2%**	**8.1%**	**4.7%**	**(0.6%)**
All Food, Producer Price Index[1]	**9.5%**	**11.4%**	**6.2%**	**0.1%**

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA.

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National Restaurant Association
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INDUSTRY INDEX

RETAIL SALES (000,000)	**Sept. 1980**	**Percent Change vs. Year Ago**	**Year to Date Sales Sept. 1980**	**Percent Change vs. Year Ago**
All Retailers	$76,540	+5.2%	$679,099	+ 6.3%
Eating & Drinking Places	$ 6,812	+6.6%	$ 60,393	+ 8.3%
Food Stores	$17,365	+9.2%	$156,164	+11.0%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (September)	**Percent Change vs. Year Ago**	**Percent Change 1980 to Date vs. Year Ago**
Food at Home	+10.3%	+ 7.1%
Food Away from Home	+ 9.6%	+10.1%
All Items Less Food	+13.2%	+15.2%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	**Aug. 1980**	**Percent Change vs. Year Ago**	**Year to Date Sales**	**Percent Change vs. Year Ago**
Eating Place Sales	$6,597	+7.2%	$47,487	+8.3%

	Percent Change vs. Year Ago	**Percent Change Year to Date vs. Year Ago**
Real Eating Place Sales (Aug.)	−2.1%	−1.8%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	**Aug., 1980**	**Percent Change vs. Year Ago**
Total Employment	4,984,100	+4.7%
Nonsupervisory Employment	4,582,500	+4.7%
Nonsupervisory Average Hourly Earnings	$3.69	+7.3%
Average Weekly Hours	27.3	N.C.

(Source: Bureau of Labor Statistics.)

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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

Volume 2, Number 9
December, 1980

NRA's 1980 FORECAST ---FOR THE YEAR 1981

- Foodservice Industry Sales: $122.7 Billion in 1981.
- NRA Presents First Restaurant Sales Forecast For States and Regions—A Special Supplement to *Foodservice Trends*.
- Industry Sales Top $111 Billion In 1980.

FOODSERVICE INDUSTRY SALES: $122.7 BILLION IN 1981

Highlights

NRA's 1981 Foodservice Industry forecast—slow recovery and a return to real growth in sales moderated by continued inflation.

- **Foodservice industry sales are projected to reach $122.7 billion in 1981, a 10.2 percent increase over 1980.**
- **Real sales, adjusting for price increases, will advance 0.3 percent marking a return to real growth for the industry after two years.**
- **Sales for the Commercial Feeding Group are forecast to rise 10.3 percent to $103.5 billion while the Institutional Group progresses at a 10.0 percent rate.**
- **In-transit foodservice and restaurants at recreation and sports centers will post the largest real sales gains in the industry.**
- **Eating place sales, which account for nearly 60 percent of the industry's total, are projected to record a 10.6 percent increase in 1981, outpacing growth in 1979 and 1980.**
- **Real eating place sales, adjusted for menu price increases, will gain 0.6 percent next year reversing declines in the past two years.**
- **Menu prices in 1981 are expected to advance 10.0 percent, similar to the 10.1 percent gain in 1980 but more than one full percentage point below the 1979 increase.**
- **Sales growth for limited menu restaurants will lead the eating place group with a real gain of 2.3 percent.**

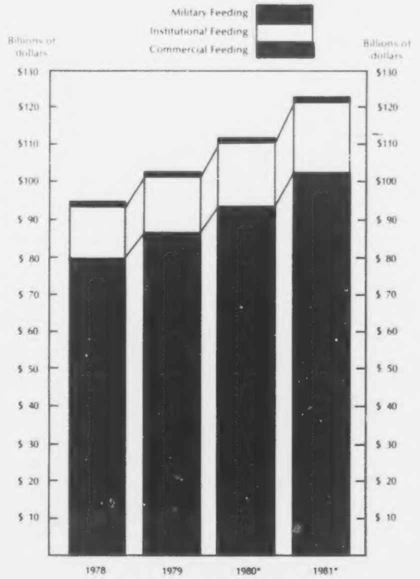
The information contained in this report was prepared in consultation with the research firm Malcolm M. Knapp, Inc.

Foodservice industry sales, as estimated by the National Restaurant Association, will exceed $122 billion in 1981 for a gain of 10.2 percent over this year's total of $111.3 billion. Sales will be up an estimated $11.4 billion in just one year; however, the real gain will be only $0.3 billion after adjusting for inflation.

Based on these projections the foodservice industry will experience a slow recovery next year as the economy posts modest gains from the recession of 1980. NRA's first time projections of real growth for all segments, adjusting for price increases, reveal that inflation will continue to be a fundamental issue confronting the economic health of the foodservice industry. Menu prices will be up at much the same rate as this year and real growth for the industry as a whole will be 0.3 percent.

Food and drink sales for the Commercial Group will approximate $103.5 billion next year, up 10.3 percent from $93.8 billion this year. The Commercial Group is expected to record a real sales increase of 0.4 percent following a decline in 1980 of 1.8 percent. For the Institutional Feeding Group sales, in current dollars, will advance at a 10.0 percent pace next year. Real sales are expected to be down by 0.2 percent, however.

Foodservice Industry Sales Projected to 1981



*Projected.

Modest as it may be, 1981 marks a return to real growth for the foodservice industry. With an improving economic outlook in 1982, next year may well set the stage for a significant recovery, especially for the Commercial Sector of the foodservice industry.

In addition, long term demographic and social trends continue to favor foodservice. The industry currently captures approximately 40 percent of the total food dollar, up from 33 percent in 1970. Based on demographic trends, we believe that if long range economic forecasts for a slowdown in the rate of inflation and renewed growth in personal income are on target, the proportion of the food dollar spent on food away from home will approach 50 percent by 1990.

Those demographic trends which will be most beneficial for the foodservice industry include increasing numbers of working wives, more affluent two income households, smaller families and a somewhat older population. Census projections indicate that these demographic groups, who tend to spend more for eating away from home, will continue to become more numerous.

In the following sections of this report, we will examine in some detail:

- the economic and consumer climate for foodservice in 1980-81
- the outlook for eating place sales, menu prices, and real growth
- how restaurants are responding to the challenges of 1980-81
- the outlook for the commercial and institutional sectors of the industry

The "background" section of this report on page 19 contains technical details which may interest some readers. It should be noted here, however, that our forecast does not pretend to the decimal point accuracy shown. These figures, rather than ranges, are given for the sake of convenience.

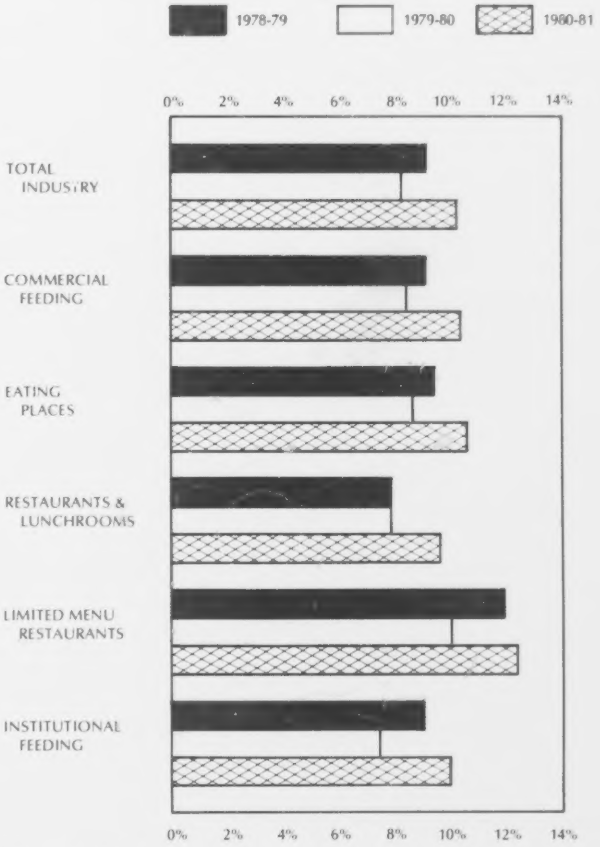
Economic and Consumer Climate for Foodservice Improves in 1981

Inflationary pressures and the adverse impact of the recession as well as a credit squeeze in the spring of 1980 exerted a negative impact on foodservice sales.

Recently the industry has been characterized by:

- "trading up" among some customers who are exchanging two or three visits to less expensive restaurants for one "special" occasion.
- "trading down" to less expensive restaurants.
- "trading out" as some families leave the market entirely.

Percent Change in Sales (Current Dollars)



NOTE: 1980 and 1981 are projections

Overall the industry has been subjected to declining customer counts for the past two years. More recently traffic has been up at fast food and family restaurants while it has been off at other types of eating places. On a meal by meal basis, only breakfast has experienced increasing customer counts while snacking has been off most dramatically.

During the past year, housing, transportation, and energy costs have continued to spiral pushing the inflation rate to double digit levels. Just as the baby boom generation has reached the age when home ownership becomes an important goal, mortgage rates and housing prices have skyrocketed. In addition, prices for heating fuel, electricity, and gasoline have climbed substantially.

In the past two years consumers, who are striving to keep up their standard of living in the face of static or declining real incomes, dipped into their savings or purchased many goods and services on credit. Early in 1980 consumers were faced with an unusually high debt burden and low savings. Spending declined in real

The Food Service Industry-Food and Drink Sales Projected to 1981

	1978 Estimated F&D Sales (000)	1980 Projected F&D Sales (000)	1981 Projected F&D Sales (000)	1980-1981 Percent Change	1980-1981 Percent Real Growth Change	1978-1981 Compound Annual Growth Rate
GROUP I—COMMERCIAL FEEDING[1]						
EATING PLACES						
Restaurants, Lunchrooms	$29,810,089	$ 34,705,883	$ 38,058,471	9.7	−0.3	8.5
Social Caterers	720,999	772,202	802,318	3.9	−6.1	3.6
Commercial Cafeterias	1,878,804	2,112,210	2,262,177	7.1	−2.9	6.4
Limited Menu Restaurants (Refreshment Places)	21,757,488	26,796,566	30,081,825	12.3	+2.3	11.4
Ice Cream, Frozen Custard Stands	1,071,865	1,285,992	1,426,165	10.9	+0.9	10.0
TOTAL EATING PLACES	$55,239,245	$ 65,672,853	$ 72,630,956	10.6	+0.6	9.6
Bars and Taverns	$ 6,678,224	$ 7,553,698	$ 8,006,920	6.0	−2.4	6.2
EATING & DRINKING PLACES	$61,917,469[2]	$ 73,226,551	$ 80,637,876	10.1	+0.3	9.2
FOOD CONTRACTORS						
Manufacturing & Indus. Plants	$ 1,794,624	$ 1,993,307	$ 2,202,604	10.5	+0.5	7.1
Commercial & Office Bldgs.	476,770	574,143	641,318	11.7	+1.7	10.4
Hospitals and Nursing Homes	678,151	804,209	890,259	10.7	+0.6	9.5
Colleges & Universities	895,969	1,064,468	1,176,237	10.5	+0.3	9.5
Primary & Secondary Schools	526,749	612,688	670,893	9.5	−0.5	8.4
In-transit Feeding (Airlines)	395,872	507,592	583,731	15.0	+4.0	13.8
Recreation & Sports Centers	780,883	990,856	1,124,622	13.5	+2.5	12.9
TOTAL FOOD CONTRACTORS	$ 5,549,018	$ 6,547,263	$ 7,289,664	11.3	+1.1	9.5
Hotel Restaurants	$ 3,016,585	$ 3,602,552	$ 4,020,448	11.6	+1.6	10.0
Motor Hotel Restaurants	742,397	883,661	978,213	10.7	+0.7	9.6
Motel Restuarants	1,653,060	1,955,001	2,156,366	10.3	+0.3	9.3
TOTAL LODGING PLACES	$ 5,412,042	$ 6,441,214	$ 7,155,027	11.1	+1.1	9.8
Retail Host Restaurants[3]	$ 3,133,311	$ 3,671,351	$ 4,009,115	9.2	−0.8	8.6
Recreation & Sports[4]	$ 1,127,367	$ 1,392,661	$ 1,583,456	13.7	+2.7	12.0
Mobile Caterers	$ 385,755	$ 443,695	$ 490,283	10.5	+0.5	8.3
Vending & Nonstore Retailers[5]	$ 1,841,503	$ 2,074,638	$ 2,290,400	10.4	+0.4	7.5
TOTAL GROUP I	**$79,366,465**	**$ 93,797,373**	**$103,455,821**	**10.3**	**+0.4**	**9.2**
GROUP II—INSTITUTIONAL FEEDING-BUSINESS, EDUCATIONAL, GOVERNMENT OR INSTITUTIONAL ORGANIZATIONS WHICH OPERATE THEIR OWN FOODSERVICE						
Employee Feeding[6]	$ 1,373,469	$ 1,515,980	$ 1,670,610	10.2	+0.2	6.8
Public & Parochial Elementary (Secondary Schools)	1,938,524	2,246,439	2,444,126	8.8	−1.2	8.0
Colleges & Universities	1,852,057	2,184,262	2,402,688	10.0	−0.2	9.1
Transportation	480,917	601,086	687,642	14.4	+3.4	12.7
Hospitals[7]	5,436,620	6,411,732	7,040,082	9.8	−0.3	9.0
Nursing Homes, Homes for Aged, Blind, Orphans, Mentally & Physically Handicapped[8]	1,990,080	2,383,893	2,636,586	10.6	+0.5	9.8
Clubs, Sporting & Recreational Camps	960,125	1,083,891	1,176,022	8.5	−2.5	7.0
Community Centers	286,364	354,073	400,102	13.0	+2.0	11.8
TOTAL GROUP II	**$14,318,156**	**$ 16,781,356**	**$ 18,457,858**	**10.0**	**−0.2**	**8.8**
TOTAL GROUP I AND II	**$93,684,621**	**$110,578,729**	**$121,913,679**	**10.2**	**+0.3**	**9.2**
GROUP III—MILITARY FEEDING[9]						
Officers & NCO Clubs ("Open Mess")	$ 403,414	$ 456,635	$ 491,796	7.7	−2.3	6.8
Food Service—Military Exchanges	221,000	255,356	278,083	8.9	−1.1	8.0
TOTAL GROUP III	**$ 624,414**	**$ 711,991**	**$ 769,879**	**8.1**	**−1.9**	**7.2**
GRAND TOTAL	**$94,309,035**	**$111,290,720**	**$122,683,558**	**10.2**	**+0.3**	**9.2**

FOOTNOTES

[1] Data are given only for establishments with payroll.

[2] Food and drink sales for nonpayroll establishments totaled $1,960,863,000 in 1978.

[3] Includes drug and proprietary store restaurants, general merchandise store restaurants, variety store restaurants, food store restaurants, and grocery store restaurants, gasoline service station restaurants and miscellaneous retailers.

[4] Includes drive-in movies, bowling lanes, recreation and sport centers.

[5] Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.

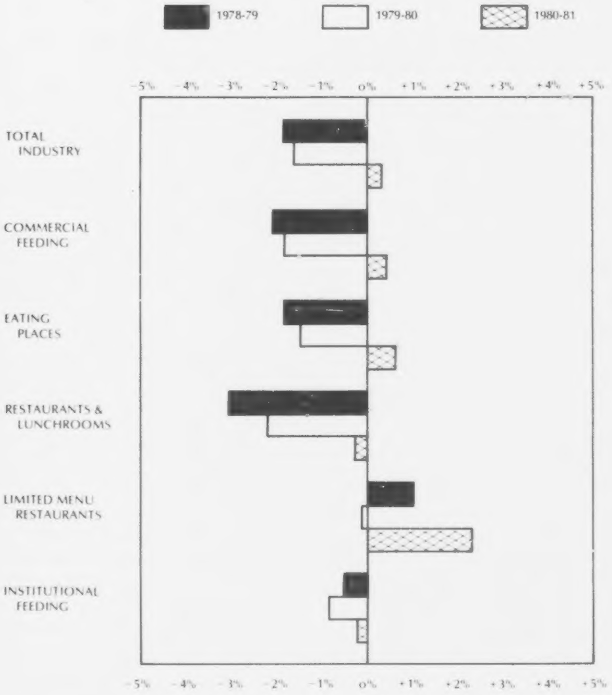
[6] Includes industrial and commercial organizations, seagoing and inland waterway vessels.

[7] Includes voluntary and proprietary hospitals, long term general, TB, nervous and mental hospitals and sales or commercial equivalent to employees in state and local short term hospitals and Federal hospitals.

[8] Sales (commercial equivalent calculated for nursing homes and homes for aged only. All others in this grouping make no charge for food served either in cash or in kind.)

[9] Continental U.S. only.

Percent Change in Sales (Constant Dollars)



NOTE: 1980 and 1981 are projections.

terms as as consumers cut back on purchases and began to retire debt and rebuild savings.

In the third quarter of 1980, the economy improved slightly as the long, slow recovery began. As the year ends, consumer confidence has been restored to a significant degree; however, spending is expected to improve only slightly in 1981.

During 1981 the consensus forecast calls for a modest recovery from recession with real GNP gaining about 1 percent compared to a 1 percent decline in 1980.

Inflation, as measured by the Consumer Price Index, is expected to remain at or near double digit levels, gaining about 10 percent. This is a significant improvement from an inflation rate of well over 13 percent this year, however. Another measure of inflation which may be more indicative of the actual rate of increase in prices paid by consumers is the GNP deflator. The GNP deflator, which does not reflect mortgage interest rates, is projected to rise by 9.4 percent next year, similar to the gain it experienced in 1980.

NRA's forecast for industry growth is based on an increase in personal income of about 11.4 percent in 1981, as forecast by the U.S. Chamber of Commerce. This figure represents considerable improvement from the 1980 gain in income of about 10 percent. In addition, real disposable income is expected to advance in the neighborhood of 1.5 percent after declining slightly in 1980.

As consumer incomes rise, the savings rate will edge upward. After depleting their holdings for several years, consumers will make efforts to rebuild their savings. Since real incomes will not be rising at the four-plus percentage rates of earlier years, consumers will be unable to boost their savings and spending substantially, however.

Given the liklihood of a further increase in unemployment during 1981 coupled with very slow real income gains and more price increases, especially for food, consumer spending is expected to post a lacklustre gain of about 1.5 percent in real terms.

The foregoing general economic projections are predicated on no significant disruption in oil supplies or radical alteration in OPEC pricing and normal weather conditions.

Eating Places in 1981: Sales Up 10.6 Percent, Real Growth 0.6 Percent

The outlook for food and drink sales in eating places, which account for nearly 60 percent of the foodservice industry, will depend on prospects for the economy as a whole. It is heavily influenced by consumers' confidence in their financial situation, the rate of increase in personal consumption expenditures, overall inflation and the rate of gain in personal and disposable income. Based on the economic outlook summarized in the preceding section, we expect 1981 eating place sales to rise by approximately 10.6 percent, outpacing growth in 1979 and in 1980.

Next year eating place sales are expected to show moderate gains in January and February followed by a strong increase in March compared with an exceptionally weak March of 1980. The second and third quarters should post relatively strong growth with a slight fall off in the rate of sales gain expected during the closing three months of 1981. Although some of this quarterly movement is attributed to the changing economic picture, it also reflects the strength or weakness of sales for the comparable period in 1980. For the sake of comparison, eating places sales were up 9.4 percent in the first quarter of 1980, 7.7 percent in the second quarter, an estimated 8.1 percent in the third quarter and an estimated 9.1 percent in the fourth quarter. All four quarters showed a real decline in sales when adjusted for inflation.

One of the premises of our 1981 forecast is that the gain in eating place sales will not exceed personal income growth. Although sales gains did generally out-

(Continued on page 17)

NATIONAL
RESTAURANT
ASSOCIATION

REGIONAL FORECAST

A Supplement to
Foodservice Trends
December, 1980

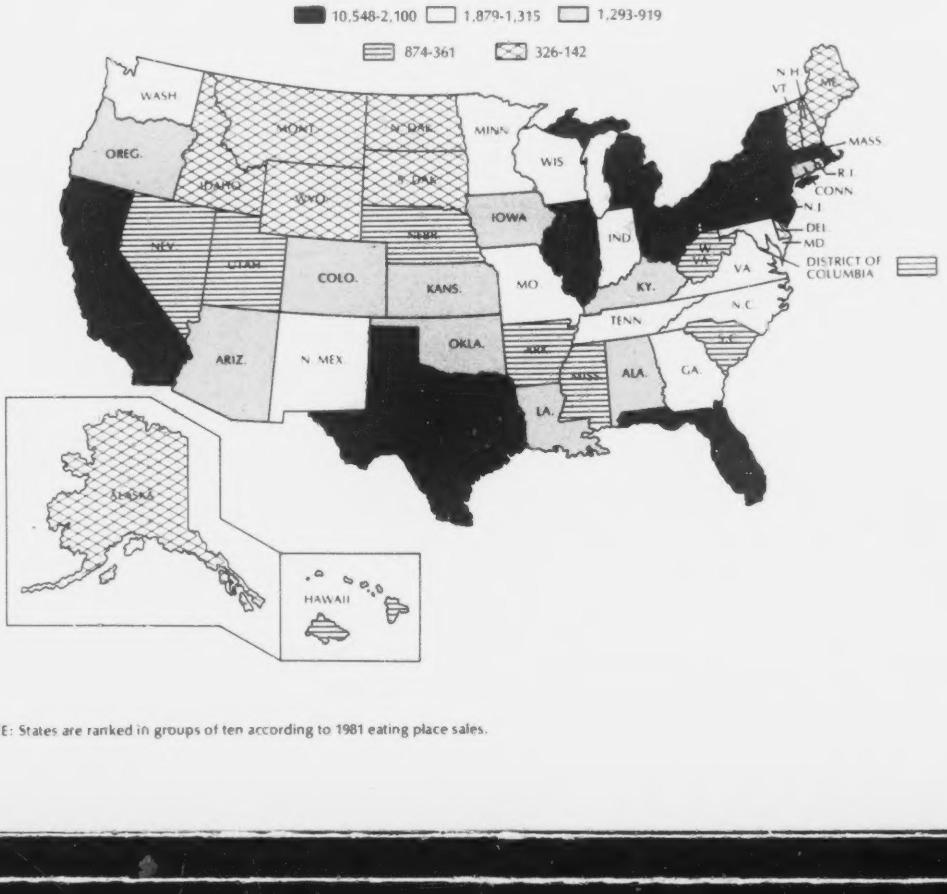
NRA PRESENTS FIRST RESTAURANT SALES FORECAST FOR STATES AND REGIONS

For the first time the National Restaurant Association has put together a forecast for eating place sales in each of the fifty states plus the District of Columbia. We believe that this state level information will make an important contribution to our overall understanding of the foodservice industry.

Historical data from the Census of Retail Trade show that sales growth for restaurants may vary substantially by section of the country. Since the economic climate in the nation differs from state-to-state, with varying rates of income, population and employment growth in some states and declines in others, a state-by-state sales forecast is especially relevant. The information given here will be helpful to operators who wish to compare their sales performance with an average for their state or region and for planning for the coming year.

The economic and sales data for the states have been arranged by the nine census regions, and readers will find data on eating place sales, personal income, manufacturing employment and non-manufacturing employment in 1980 and 1981 for each state. Much of this information is compiled from government and private sources such as the Bureau of Economic Analysis, the U.S. Chamber of Commerce, the Conference Board

Eating Place Sales in 1981 (Millions of Dollars)


10,548-2,100
1,879-1,315
1,293-919
874-361
326-142
WASH
OREG.
IDAHO
MONT
N. DAK.
S. DAK.
WYO.
NEV.
UTAH
COLO.
NEBR.
KANS.
MINN
WIS
IOWA
MO
IND
KY.
W. VA.
VA.
N.C.
S.C.
TENN
OKLA.
ARK.
MISS
ALA.
GA.
LA.
ARIZ.
N. MEX.
ALASKA
HAWAII
N.H.
VT
ME.
MASS.
R.I.
CONN
N.J.
DEL.
MD
DISTRICT OF COLUMBIA

NOTE: States are ranked in groups of ten according to 1981 eating place sales.

and Chase Econometrics. The two maps located on this page and the previous one will give readers a summary of the ranking of all 50 states by 1981 dollar sales and by percent change between 1980 and 1981.

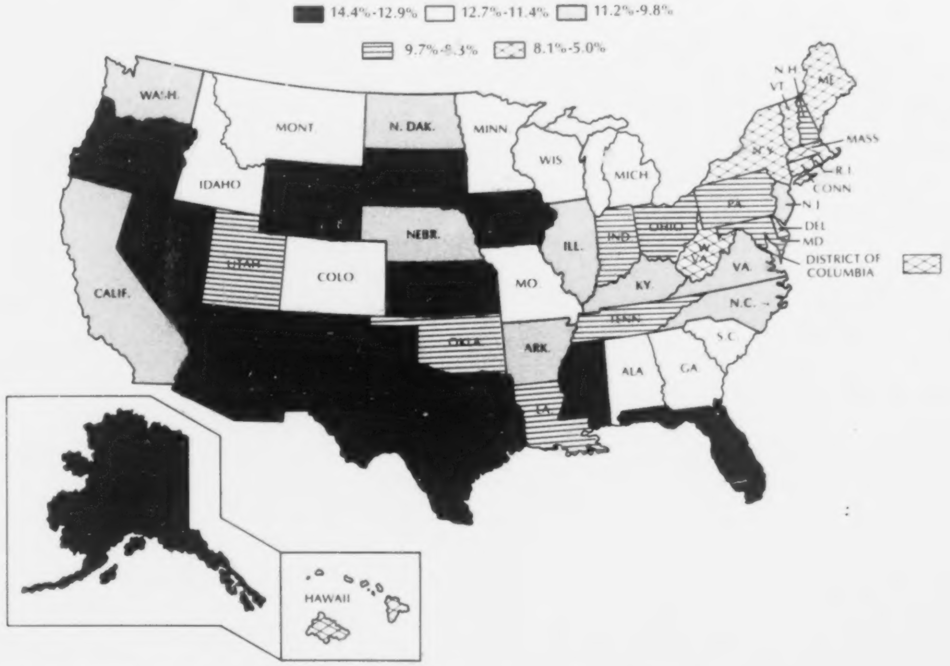
The estimates for eating place sales used here were prepared in consultation with the research firm, Malcolm M. Knapp, Inc. State-by-state historical eating place sales trends between 1972 and 1977 form the basis for our projections. These trends have been modified based on current and projected population and income data. For example, sales will continue to grow fastest in the Southern and Western regions and make slightly larger gains than experienced in the recent periods in such states as Florida, Texas, Washington and Arizona because of current and projected employment and income trends in these states. Adjustments were made to the calculated state totals to arrive at a final predetermined U.S. total. Readers desiring more information on how any specific state projections were made or desiring more state and regional economic data should contact Bette B. Hoyt in NRA's Washington Office.

A few words of caution are needed when using these eating place sales figures.

- Because sales figures for each state involve an allocation process, they are subject to greater error than our national sales projections.
- The actual sales figures are a better indication of the size of the restaurant industry in respective states because they represent an overall allocation of total sales in the U.S. Percent changes are subject to more variation but have been shown here as a convenience to our readers.
- The sales information shown here for states and regions include only operations with payroll and include some contract feeding. They represent the Census definition of eating places (SIC 5812) and will not equal the total for eating places shown in the table on page 3.
- Regional projections were not done separately, and as a result, regional totals are sums of the states.

In the future, we will gather sales tax data for each state and collect more economic data for the states and regions from such sources as the U.S. Chamber of Commerce and the Conference Board. We aim to improve the overall accuracy of our figures and increase the amount and quality of regional and state information we are able to provide to our members.

Percent Change In Eating Place Sales, 1980-1981



NOTE: States are ranked in groups according to percentage increase in eating place sales between 1980 and 1981.

OUTLOOK FOR THE NEW ENGLAND REGION

Eating Place Sales

Eating place sales in New England are forecast to equal $4.1 billion in 1981, an increase of 7.1 percent from 1980. Two states, Massachusetts and Connecticut, dominate the New England economy and account for three-fourths of the region's eating place sales. Sales for eating places in Massachusetts will be growing faster than the region as a whole because of the state's improved economy. The influx of high technology industries and decreased dependence on many cyclical industries have been beneficial to the state. The largest percentage gain in eating place sales in this region is expected in New Hampshire, where 1981 sales will total $317 million for an increase of 8.3 percent over 1980. On the other hand, Rhode Island is forecast to have the slowest rise in restaurant sales next year up only 5.0 percent.

New England Region

State	Eating Place Sales (000) 1980	Eating Place Sales (000) 1981	Percent Change
Connecticut	$ 909,948	$ 967,780	6.4%
Maine	298,930	320,962	7.4%
Massachusetts	1,954,293	2,100,083	7.5%
New Hampshire	292,685	316,936	8.3%
Rhode Island	238,359	250,282	5.0%
Vermont	132,070	141,765	7.3%
TOTAL REGION	**$3,826,285**	**$4,097,808**	**7.1%**

The Economy

The New England Region has fared considerably better in this recent recession year than in 1974-1975. The area is expected to experience only a slight decline in manufacturing employment this year of 1.6 percent compared to a 4.2 percent drop nationwide. The changing industrial mix of the region is largely responsible for New England's improved performance during this economic downturn. More high technology and defense related industries and decreased dependence on such cyclical industries as textiles, leather goods and apparel have made the region less vulnerable in the current recession.

The relative strength of the areospace industry and increased government outlays for defense will buoy the New England Region's economy in 1981. In addition, continued growth in other high technology industries will also benefit the area. As a result, increases in manufacturing employment should be evident around mid 1981 and will be followed by strong gains in personal income.

Unfortunately, however, the region's reliance on imported oil will continue to have a negative impact on disposable income. The proportion of energy expenditures to disposable income in New England continues to be significantly higher than that for the nation as a whole. Therefore, residents in the New England Region will have fewer dollars to spend on other goods and services in 1981 and cause the area's recovery from the recession to lag behind the nation's recovery.

The New England Economy (Percent Change)

State	Manufacturing Employment 1980	Manufacturing Employment 1981	Non-Manufacturing Employment 1980	Non-Manufacturing Employment 1981	Personal Income 1980	Personal Income 1981
Connecticut	−1.0	−2.0	2.0	1.0	10.0	11.2
Maine	−2.0	−1.0	4.0	1.0	11.0	12.2
Massachusetts	−2.0	−3.0	3.0	0.0	10.0	11.2
New Hampshire	−2.0	−2.0	5.0	1.0	13.0	15.0
Rhode Island	−4.0	−3.0	1.0	0.0	9.0	11.2
Vermont	−1.0	−3.0	1.0	0.0	8.0	8.7
TOTAL REGION	−1.6	−2.6	3.0	1.0	10.0	11.2
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE MIDDLE ATLANTIC REGION

Eating Place Sales

Sales for eating places in the Middle Atlantic Region are forecast to equal $11.5 billion in 1981, an increase of 8.6 percent from 1980. Sales in the area will be growing less rapidly than the nation as a whole primarily because of the more mature nature of the region's economy and because of substantial declines in manufacturing employment.

New York, which accounts for half of the sales in the region, is predicted to have restaurant sales of $5.8 billion in 1981, an increase of only 8.1 percent. This is considerably below the gains expected for the region as a whole and nationwide. Declines in both manufacturing and non-manufacturing employment next year will probably have a negative impact on sales in New York. Eating place sales for New Jersey are expected to rise more rapidly than the region because of substantial growth in non-manufacturing employment in both 1980 and 1981. Pennsylvania eating place sales will rise at the same rate as the region and should equal nearly $3.3 billion next year.

Middle Atlantic Region

State	Eating Place Sales (000) 1980	1981	Percent Change
New Jersey	$ 2,247,181	$ 2,467,589	9.8%
New York	5,326,728	5,756,432	8.1%
Pennsylvania	3,034,977	3,295,208	8.6%
TOTAL REGION	**$10,608,886**	**$11,519,229**	**8.6%**

The Economy

The Middle Atlantic states have been severely affected by the 1980 recession, with declines in manufacturing employment considerably steeper than those experienced nationwide. Although this region has the highest population density and highest levels of per capita income in the country, it has been one of the slowest growing regions for several years. The area is plagued by higher than average wage and tax rates which have made it unattractive in terms of new investment and have rendered its capital stock largely obsolete. However, the area's weak performance during the recent recession has been due largely to the lackluster performance of New York state, whose dominance tends to offset any gains made by New Jersey and Pennsylvania.

The area is heavily dependent on cyclically sensitive industries such as durable goods manufacturing and steel, and as a result its economic outlook is not particularly good. Manufacturing employment is expected to decrease by 5.4 percent in 1981 compared to a 3.4 percent nationwide drop. As the nation goes through its initial recovery period in early 1981, growth in manufacturing employment in the Middle Atlantic Region is predicted to be more sluggish than the national average. Income gains in the region next year will be sluggish and spending by consumers will be dampened, further slowing the recovery for these three states.

The Middle Atlantic Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
New Jersey	−3.0	−4.0	2.0	1.0	9.0	8.7
New York	−5.0	−5.0	0.0	−1.0	9.0	10.0
Pennsylvania	−5.0	−6.0	1.0	1.0	10.0	10.0
TOTAL REGION	−4.6	−5.4	1.0	0.0	9.0	10.0
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE EAST NORTH CENTRAL REGION

Eating Place Sales

Eating place sales for the five states which comprise the East North Central Region are predicted to reach $15.7 billion in 1981, an increase of 10.4 percent from 1980. Sales in the area are expected to grow at a slightly slower pace than the nation as a whole (10.4 percent versus 10.6 percent) because the region will have more difficulty recovering from the 1980 recession.

Three states in the region (Illinois, Michigan and Ohio) rank among the top ten states in eating place sales. Illinois' eating place sales will equal $4.6 billion in 1981, up 9.8 percent from 1980. Michigan's sales will be up 12.4 percent next year to $3.7 billion. This rapid growth is due to a relative improvement in the state's economy in 1981 compared to 1980 when unemployment was in excess of 15 percent of the labor force and personal income rose only 4.0 percent. A substantial increase in non-manufacturing employment and personal income in 1981 for Wisconsin will help to boost eating place sales 11.6 percent to $1.7 billion.

East North Central Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Illinois	$ 4,170,897	$ 4,578,590	9.8%
Indiana	1,685,408	1,834,447	8.8%
Michigan	3,274,518	3,678,958	12.4%
Ohio	3,518,269	3,854,886	9.5%
Wisconsin	1,544,095	1,722,874	11.6%
TOTAL REGION	**$14,194,187**	**$15,669,755**	**10.4%**

The Economy

The East North Central Region with its high dependence on automobile, steel and durable goods manufacturing has had to bear the brunt of the 1980 recession. In 1980 manufacturing employment is predicted to decline by 9.1 percent, over twice the rate of decline for the nation as a whole. In addition, higher than average rates of unemployment have slowed income growth in the region this year.

Non-manufacturing employment in the East North Central Region has become stronger in recent years, but growth is expected to fall below the nationwide performance in 1980 and 1981 in several of the key states. Recently this area experienced some permanent shut-downs in basic industries such as autos and steel, which have resulted in record lay offs and decreased regional investment. This, in turn, has led to substantial out-migration, particularly of younger workers.

Aging and obsolete capital stock, high operating costs and market shifts away from the Snowbelt to the Sunbelt have placed this region at a competitive disadvantage with the rest of the nation. As can be expected, Michigan, the home of the U.S. auto industry, will suffer the greatest employment loss. The well-publicized problems of the steel industry will account for a large part of the manufacturing job losses in Ohio in both 1980 and 1981. Declining employment in durable goods manufacturing will have an adverse affect on total employment in Illinois, which is expected to drop 7.0 percent in 1981, considerably above the region and nationwide average. Wisconsin, with its 4 percent decline in manufacturing employment and 2.0 percent gain in non-manufacturing employment next year is the only bright spot in an otherwise gloomy employment picture in the East North Central Region. Overall, recovery from the 1980 recession will lag behind that for the nation as a whole, but the health of the economy for the area will be considerably better in 1981 than in 1980.

The East North Central Economy (Percent Change)

	Manufacturing Employment		Non-Manufacturing Employment		Personal Income	
State	**1980**	**1981**	**1980**	**1981**	**1980**	**1981**
Illinois	− 7.0	−7.0	1.0	1.0	10.0	11.2
Indiana	− 8.0	−4.0	2.0	0.0	7.0	11.2
Michigan	−15.0	−4.0	1.0	0.0	4.0	12.5
Ohio	− 8.0	−6.0	2.0	0.0	8.0	11.2
Wisconsin	− 4.0	−4.0	4.0	2.0	10.0	12.5
TOTAL REGION	− 9.1	−5.7	1.0	1.0	8.0	11.2
TOTAL U.S.	− 4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE WEST NORTH CENTRAL REGION

Eating Place Sales

In the West North Central Region eating place sales are expected to reach $6.3 billion in 1981, up 11.9 percent over 1980's $5.6 billion. The region will outperform the nation as a whole primarily because of strong gains in personal income and non-manufacturing employment.

Two states, Minnesota and Missouri, account for slightly more than half of the region's eating place sales. Sales in Missouri are expected to rise nearly $200 million, from $1.7 billion in 1980 to $1.9 billion in 1981. In Minnesota, sales are predicted to rise by 11.9 percent and reach $1.5 billion. The fastest sales gains will occur in South Dakota and Kansas where income and population increases in recent years have added impetus to restaurant sales. On the other hand, sales growth in Nebraska will be the slowest of the seven states in the West North Central Region. A decline in manufacturing employment in both 1980 and 1981 and little growth in non-manufacturing employment will adversely affect Nebraska's eating place sales performance next year.

West North Central Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Iowa	$ 865,774	$ 961,545	11.1%
Kansas	811.847	919,020	13.2%
Minnesota	1,343,069	1,502,997	11.9%
Missouri	1,680,627	1,878,910	11.8%
Nebraska	488,111	539,920	10.6%
North Dakota	196,118	218,144	11.2%
South Dakota	218,492	248,487	13.7%
TOTAL REGION	**$5,604,038**	**$6,269,023**	**11.9%**

The Economy

The West North Central Region is expected to fare somewhat better than the nation as a whole in the 1980 recession. As shown in the accompanying chart, less drastic declines in manufacturing employment and more rapid gains in personal income than the nation as a whole indicate that this region will be better off economically in 1980 and 1981. Due to the increased importance of U.S. agricultural exports and grain shortages in world markets, the region has been able to grow faster than the nation during recent years. Increased farm revenues have stimulated the growth of other related industries, particularly food processing and agricultural machinery. However, farm income has dropped slightly in 1980 because of the Soviet grain embargo which reduced demand and because of lower crop yields.

Although agriculture remains dominant in the region, manufacturing has recently grown in importance, and a mining boom in the Dakotas has contributed to the strength of related construction and service industries. As a result, per capita income in the region has been increasing.

The region has a varied economy. Only in Missouri is manufacturing employment of any significance. The other states are largely dependent on agriculture, and farm income in 1981 is not expected to increase significantly. As a result, the region's ability to recover from the recession will be dampened. However, mining will continue to become more important to some of the states in the region as a source of employment and income, and this should be beneficial to the region's economic picture in 1981.

The West North Central Economy (Percent Change)

	Manufacturing Employment		Non-Manufacturing Employment		Personal Income	
State	**1980**	**1981**	**1980**	**1981**	**1980**	**1981**
Iowa	−4.0	−4.0	2.0	1.0	10.0	15.0
Kansas	−2.0	−3.0	2.0	1.0	7.0	10.0
Minnesota	0.0	−2.0	3.0	0.0	10.0	12.5
Missouri	−6.0	−3.0	1.0	1.0	9.0	12.5
Nebraska	−2.0	−3.0	1.0	0.0	10.0	12.5
North Dakota	−2.0	−3.0	3.0	1.0	21.0	15.0
South Dakota	−1.0	−2.0	0.0	−1.0	11.0	11.2
TOTAL REGION	−3.1	−3.0	2.0	1.0	10.0	12.5
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE SOUTH ATLANTIC REGION

Eating Place Sales

Eating place sales in the South Atlantic Region will equal $13.2 billion in 1981, up 11.3 percent from 1980. Sales growth for the area will outpace that for the nation primarily because of the strong sales gains in Florida, Georgia and South Carolina.

Florida, with 1981 projected sales of $4.6 billion, is the prime sales gainer in the region. This state is expected to have substantial gains in employment and income in both 1980 and 1981 which will be beneficial to eating place sales growth. Besides Florida, four other states in the region have eating place sales in excess of $1.0 billion, including Georgia ($1.8 billion), Virginia ($1.8 billion), North Carolina ($1.6 billion) and Maryland ($1.5 billion). Sales growth in Delaware will be considerably below that of the region and the country due to declines in employment and income. The District of Columbia, which is predicted to experience a decrease in both manufacturing and non-manufacturing employment, will also experience a very modest increase in eating place sales between 1980 and 1981.

South Atlantic Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Delaware	$ 172,257	$ 183,564	6.6%
District of Columbia	394,414	416,381	5.6%
Florida	4,047,356	4,600,581	13.7%
Georgia	1,609,868	1,792,915	11.4%
Maryland	1,403,278	1,527,371	8.8%
North Carolina	1,477,298	1,628,956	10.3%
South Carolina	780,520	874,472	12.0%
Virginia	1,637,138	1,813,838	10.8%
West Virginia	382,989	413,122	7.9%
TOTAL REGION	**$11,905,118**	**$13,251,200**	**11.3%**

The Economy

The South Atlantic Region has been one of the most rapidly growing areas in the country, with population, employment and income growth rates exceeding the national average for the past several years. The region has fared slightly better than the nation as a whole in the 1980 recession, but the region's overall economic performance is difficult to characterize because of the lack of uniformity among the states. The northern half of the region exhibits many of the same attributes as the Middle Atlantic states (slow income growth, declines in manufacturing employment), while the southern half continues to experience rapid economic growth.

Several factors will continue to attract business to the South Atlantic Region. These include: lower production costs, improved access to ports and transportation facilities and a growing population which translates into growing markets. Growth in manufacturing employment in this region has lagged behind other sectors, primarily because the area has a high concentration in cyclically sensitive industries such as textiles, steel, apparel and furniture. However, manufacturing employment in the South Atlantic Region is forecast to decline at half the rate as the nation as a whole in 1981 as shown in the following table.

The steep recession in the housing sector together with large declines in consumer spending for durables had an adverse effect on the lumber and furniture industries which are located primarily in North Carolina and Virginia. However, we are beginning to see some recovery in the housing sector which should help to strengthen the housing related industries in the area. Textile manufacturing is important in Georgia and the Carolinas, and manufacturer's efforts to keep invento-

The South Atlantic Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Delaware	−3.0	−3.0	1.0	0.0	8.0	10.0
District of Columbia	−1.0	−2.0	0.0	−2.0	12.0	13.7
Florida	0.0	0.0	4.0	1.0	12.0	13.7
Georgia	−3.0	−2.0	3.0	1.0	9.0	12.5
Maryland	−6.0	−6.0	1.0	0.0	9.0	11.2
North Carolina	−2.0	−1.0	3.0	2.0	9.0	12.5
South Carolina	−2.0	−1.0	3.0	2.0	11.0	13.7
Virginia	−1.0	−2.0	2.0	2.0	10.0	12.5
West Virginia	−7.0	−4.0	0.0	0.0	10.0	13.7
TOTAL REGION	−2.4	−1.7	2.0	1.0	10.0	12.5
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.: adjustments made to Personal Income figure by NRA to reflect most current projections.

ries low should help the industry to recover from this recession more rapidly than after the 1974-75 downtown.

Overall, the region's employment and industrial picture is better than that for the nation. Consequently, consumer income gains in 1981 should help the region recover from this economic downturn more rapidly than the entire country.

OUTLOOK FOR THE EAST SOUTH CENTRAL REGION

Eating Place Sales

Eating place sales in the East South Central Region will equal nearly $4.0 billion in 1981, up from $3.6 billion in 1980. Sales growth for this region will be slightly faster than that for the country as a whole, 10.8 percent versus 10.6 percent. Gains in non-manufacturing employment and personal income in Alabama and Tennessee will help boost restaurant sales in this area.

In Tennessee, eating place sales are predicted to reach $1.3 billion, up about 9.4 percent from 1980. Declines in manufacturing employment in both 1980 and 1981 will work to moderate gains in sales. Sales in Mississippi will approach $600 million in 1981, an increase of 13.4 percent from 1980's $524 million. Although the state is expected to lose manufacturing employment, it will benefit from substantial gains in non-manufacturing employment. Eating place sales in both Alabama and Kentucky will cross the $1.0 billion mark in 1981.

East South Central Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Alabama	$ 911,161	$1,016,893	11.6%
Kentucky	946,411	1,044,506	10.4%
Mississippi	524,254	594,438	13.4%
Tennessee	1,202,486	1,315,447	9.4%
TOTAL REGION	**$3,584,312**	**$3,971,284**	**10.8%**

The Economy

The four East South Central states are among the Sunbelt's slowest growing. Primarily because of the region's industrial mix, it has not performed well during the current economic downturn. Manufacturing industries are concentrated in consumer goods, construction, textiles and apparel. As a result, the decline in manufacturing employment in the East South Central Region is expected to mirror the national average in both 1980 and 1981.

The region's dependence on the non-durable goods industries, particularly apparel, has already caused some employment declines. However, manufacturers have managed their inventories better than in the previous recession which should mean a faster recovery for the industry, primarily in Tennessee.

The regional electrical machinery sector is heavily centered around the manufacture of household appliances and was severely hurt during the recent housing slump. With the recovery in housing now underway, together with the slow rise in consumer confidence and the removal of credit controls, the East South Central Region should recover well from the current recession.

The East South Central Economy (Percent Change)

	Manufacturing Employment		Non-Manufacturing Employment		Personal Income	
State	**1980**	**1981**	**1980**	**1981**	**1980**	**1981**
Alabama	−4.0	−3.0	2.0	1.0	8.0	11.2
Kentucky	−6.0	−4.0	1.0	0.0	9.0	12.5
Mississippi	−6.0	−3.0	2.0	2.0	7.0	10.0
Tennessee	−3.0	−3.0	2.0	1.0	10.0	12.5
TOTAL REGION	−4.3	−3.2	2.0	1.0	9.0	11.2
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.: Adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE WEST SOUTH CENTRAL REGION

Eating Place Sales

Eating place sales will rise nearly $1.0 billion between 1980 and 1981 in the West South Central Region. In 1981 sales are expected to total $8.6 billion, up 12.9 percent from the previous year. The relatively strong economy in the area, particularly in Texas, will cause sales to rise considerably faster in this region than in the nation as a whole.

Texas dominates the eating place sales picture in the West South Central Region with 1981 sales expected to reach $6.0 billion. The continued economic, population and income gains in Texas will have a beneficial affect on restaurant sales. In Louisiana eating place sales are forecast to equal $1.2 billion in 1981, up from $1.1 billion in 1980. Arkansas, with a sales gain of 11.1 percent, should have 1981 sales of $546 million. In Oklahoma, sales for eating places will rise 9.7 percent next year and be slightly less than $1.0 billion. Increases in non-manufacturing employment and substantial income gains in 1981 will result in continued economic growth in all three states.

West South Central Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Arkansas	$ 491,044	$ 545,607	11.1%
Louisiana	1,061,045	1,156,351	9.0%
Oklahoma	850,752	933,518	9.7%
Texas	5,217,016	5,966,975	14.4%
TOTAL REGION	**$7,619,857**	**$8,602,451**	**12.9%**

The Economy

The West South Central economy has benefited in recent years from an expansion of business investment in energy development as well as above average population growth. The surge in regional economic activity has been broad based, with considerable growth in such industries as transportation equipment, electrical machinery, metals, food products, and mining as well as oil and gas. Because of this diversity the region has weathered the current economic downturn very well.

Non-manufacturing employment is expected to increase 3.0 percent this year and manufacturing employment will decline less than one percent.

The depressed state of the housing and automobile industries has contributed to the decline in employment in the primary and fabricated metals industries, particularly in Arkansas which is a leading producer of home insulation products and an important aluminum producer. As the recovery in the housing sector continues to lead the economy out of the recession, these related sectors should also benefit.

Although both Oklahoma and Texas have large transportation sectors, they have been able to avoid the severe problems faced by the auto industry in other parts of the country. Most auto plants in Oklahoma assemble compact cars whose demand has remained strong. Texas' transportation equipment industry is concentrated on the aerospace segment which should remain strong as a result of increased defense spending. Energy-related sectors should also continue to strengthen due to continued investment in energy development.

The stronger employment picture translates into a better than average income performance in 1981 and strong economic growth for the West South Central Region.

The West South Central Economy (Percent Change)

	Manufacturing Employment		Non-Manufacturing Employment		Personal Income	
State	1980	1981	1980	1981	1980	1981
Arkansas	−4.0	−3.0	2.0	1.0	9.0	13.7
Louisiana	−3.0	−2.0	2.0	1.0	12.0	15.0
Oklahoma	3.0	−1.0	5.0	1.0	14.0	13.7
Texas	0.0	0.0	3.0	2.0	12.0	15.0
TOTAL REGION	−0.7	−0.8	3.0	2.0	12.0	15.0
TOTAL U.S.	−4.2	−3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.: adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE MOUNTAIN REGION

Eating Place Sales

In the Mountain Region 1981 eating place sales will rise to $4.3 billion from $3.8 billion in 1980. Sales growth in this area will be significantly above that for the U.S., 12.6 percent compared to 10.6 percent. The region's strong employment and income picture in both 1980 and 1981 will provide a beneficial operating environment for restaurants.

Two states, Colorado and Arizona, dominate the Mountain eating place sales picture and account for more than half of the sales. In Colorado, eating place sales are forecast to equal $1.3 billion in 1981, and in Arizona they are expected to rise to $1.1 billion. Both these states have particularly strong economies which have been virtually untouched by this year's recession. Wyoming, with projected 1981 sales of $174 million leads the region in terms of percentage sales gain. Sales growth in Idaho, Nevada and New Mexico will also be strong, but we do expect slower sales gains in Montana and Utah.

Mountain Region

State	Eating Place Sales (000) 1980	1981	Percent Change
Arizona	$ 948,332	$1,078,505	13.7%
Colorado	1,147,472	1,293,374	12.7%
Idaho	282,452	316,139	11.9%
Montana	246,310	275,271	11.8%
Nevada	321,508	362,864	12.9%
New Mexico	393,598	444,396	12.9%
Utah	332,558	361,981	8.8%
Wyoming	152,495	174,110	14.2%
TOTAL REGION	**$3,824,725**	**$4,306,640**	**12.6%**

The Economy

The Mountain Region has enjoyed exceptionally high growth rates in population, income and employment in recent years. Energy resources are key to its continued development, and the area has extensive reserves of uranium, coal, petroleum, natural gas, tar sands, and oil shale. Moves to reduce some of the federal regulations governing the energy industry as well as rising world oil prices have contributed to an acceleration of exploration activity and the growth of extraction and processing industries, particularly in Wyoming, Utah and Colorado. However, the mining sector in Montana has not fared well because falling copper prices have reduced the profitability of copper mining.

As the rest of the nation copes with falling real incomes, increased unemployment and the other effects of the 1980 recession, the Mountain Region continues to grow, but at a slower rate than in previous years. The area has a high concentration in such dynamic industries as electronics, computers and aerospace which make it more resilient to economic slumps. Employment in the manufacturing sector is expected to rise 1.0 percent next year compared to a 3.4 percent decline nationwide. Rapid in-migration will contribute to the growth of other non-manufacturing sectors such as services, trade and government.

Personal income for the Mountain Region in 1981 will grow at a considerably faster pace than the country as a whole, 16.2 percent versus 11.4 percent. Thus, we expect consumer spending to remain strong in these states in 1981 and economic growth in the region will continue to move upward at a rapid pace.

The Mountain Economy (Percent Change)

State	Manufacturing Employment 1980	1981	Non-Manufacturing Employment 1980	1981	Personal Income 1980	1981
Arizona	5.0	−1.0	2.0	3.0	14.0	18.7
Colorado	2.0	1.0	4.0	3.0	13.0	15.0
Idaho	− 4.0	4.0	1.0	2.0	10.0	16.2
Montana	−10.0	2.0	1.0	1.0	16.0	16.2
Nevada	6.0	8.0	6.0	9.0	14.0	21.2
New Mexico	1.0	0.0	4.0	4.0	12.0	15.0
Utah	5.0	2.0	2.0	2.0	12.0	15.0
Wyoming	6.0	2.0	9.0	7.0	12.0	15.0
TOTAL REGION	2.0	1.0	3.0	4.0	13.0	16.2
TOTAL U.S.	− 4.2	− 3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.: adjustments made to Personal Income figures by NRA to reflect most current projections.

OUTLOOK FOR THE PACIFIC REGION

Eating Place Sales

Eating place sales in the Pacific Region will equal $14.4 billion in 1981, an increase of 10.3 percent from 1980's total of $13.1 billion. The strong employment and income outlook for this region will produce a healthy economic environment for the restaurant industry.

Eating place sales in the area are dominated by California which accounts for nearly three quarters of the region's total. Strong gains for employment in the non-manufacturing sector and in personal income will help boost California's restaurant sales to $10.5 billion in 1981 from $9.6 billion in 1980. Both Oregon and Washington have sales in excess of $1.0 billion, and sales for those two states are expected to rise faster than the region and the country as a whole in 1981. For Washington, continued employment growth in the services and trade sectors as well as in transportation equipment and above average increases in personal income will be beneficial to eating place sales next year. Oregon is expected to experience more dramatic declines in manufacturing employment because of losses in the lumber and wood product industries. Increases in population and non-manufacturing employment, particularly in services and trade, should minimize the effects of employment losses in manufacturing, and we expect Oregon's eating place sales to rise 13.5 percent to $1.2 billion in 1981. Although Alaska is expected to experience some dramatic declines in manufacturing employment, increases in service and trade employment together with significant income gains should provide a beneficial operating environment for restaurants next year. Declines in vacation and business travel and higher air fares have hurt the Hawaiian economy in 1980. Because we expect the economic recovery in 1981 to be slow, tourism expenditures in Hawaii will probably not rise substantially next year. We are, therefore, forecasting only a 7.0 percent gain in eating place sales next year for this Pacific state.

Pacific Region

	Eating Place Sales (000)		
State	**1980**	**1981**	**Percent Change**
Alaska	$ 286,505	$ 325,923	13.8%
California	9,597,500	10,548,392	9.9%
Hawaii	505,251	540,530	7.0%
Oregon	1,077,044	1,222,655	13.5%
Washington	1,623,340	1,803,558	11.1%
TOTAL REGION	**$13,089,640**	**$14,441,058**	**10.3%**

The Economy

Because of increased defense spending and orders for capital goods, the Pacific Region has recently enjoyed stronger than average employment and income gains. California, Washington and Oregon have had the strongest performance with growth well above the nationwide average. Washington and Oregon have experienced the sharpest increases in population, employment and income in the region. Rising demand for both commercial and military aircraft has sparked large increases in the transportation equipment industry, particularly in Washington.

The economies of Alaska and Hawaii have not performed as well as their other Pacific neighbors. The end of the oil pipeline boom in Alaska and declines in tourism and tourist related industries are primarily responsible for the situation.

Within the Pacific Region the construction sector has done very poorly lately, primarily because of high mortgage rates and tight credit conditions. Retail trade has also slackened as consumers have retrenched in the face of falling incomes and rising unemployment. The recovery of these two sectors will greatly affect the recovery of the Pacific Region as a whole and will depend on the pattern of the overall economic recovery in the U.S. Since we do not see a strong housing recovery and resurgence of consumer spending, the weakness of these two sectors will continue to be reflected in the slow growth of non-manufacturing employment.

Activity in the region's manufacturing sector is concentrated in the aerospace, lumber and high technology goods industries. Continued strong worldwide demand for aircraft and electrical instruments mitigates the recession's impact on the region's manufacturing sector. However, even in these relatively strong industries, production levels have recently been scaled down. On the negative side, the lumber and wood products industries have been seriously affected by a severe decline in housing activity recently.

Overall, manufacturing employment is expected to decline by 2.2 percent in 1981, considerably less than the predicted 3.4 percent nationwide drop. Employment in the non-manufacturing sector is predicted to rise 2.0 percent. In addition, personal income gains for the Pacific Region will be above those for the country, 13.7 percent versus 11.0 percent. We therefore expect the economic recovery in 1981 for this region to be slightly faster than that for the nation as a whole.

The Pacific Economy
(Percent Change)

	Manufacturing Employment		Non-Manufacturing Employment		Personal Income	
States	**1980**	**1981**	**1980**	**1981**	**1980**	**1981**
Alaska	−7.0	−13.0	4.0	3.0	14.0	15.0
California	−1.0	− 1.0	3.0	1.0	11.0	13.7
Hawaii	−2.0	4.0	3.0	1.0	11.0	12.5
Oregon	−7.0	− 6.0	1.0	1.0	9.0	13.7
Washington	−1.0	− 4.0	5.0	6.0	11.0	15.0
TOTAL REGION	−1.7	− 2.2	3.0	2.0	11.0	13.7
TOTAL U.S.	− 4.2	− 3.4	2.0	1.0	10.0	11.4

SOURCE: U.S. Chamber of Commerce, Washington, D.C.; adjustments made to Personal Income figures by NRA to reflect most current projections.

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pace income growth in the early and mid 1970's, this has not been the case in the past three years. As fixed charges against income such as housing, energy and transportation have spiraled and real incomes adjusted for inflation have remained relatively unchanged or declined, consumers have felt the pinch.

In a recent Roper Report consumers say they are cutting back on eating out as they try to trim their living expenses, confirming declining customer counts reported by CREST. (See November 1980 *Foodservice Trends.*) Although we feel there are indications that consumers would like to go out to eat more often, discretionary income has been squeezed to such an extend that they are being forced to make a choice. Rather than choosing between one restaurant and another, as was true earlier in the 1970's, making choices now may mean giving up one thing for another. The industry is competing with other forms of entertainment as well as with marketers of other goods and services for its share of the consumers' dollar.

Our forecast for real eating place growth in 1981 of 0.6 percent is a reversal of the trend apparent in the last two years. Real sales will decline in 1980 by an estimated 1.5 percent and were down 1.8 percent in 1979. This forecast is based on continued double digit inflation coupled with positive, but not particularly strong, growth in real income. The recent rise in consumer confidence has also been taken into account, since consumer psychology is frequently as significant as economics.

If inflation were to moderate substantially, it is likely that our forecast for the level of 1981 sales would remain on target but real growth would increase considerably as would traffic counts.

Among eating places, **limited menu restaurants** will again post the most significant gain with real growth on the order of 2.3 percent in 1981. Much of the growth for this "fast food" group will be due to continued construction of new units. A modest real decline of 0.3 percent is forecast for **restaurants**, the largest eating place category. It should be noted, however, that restaurants providing special qualities in the eyes of their patrons should do significantly better than the average. (See the section "Restaurants Meet the Challenges of 1980-81").

Cafeterias are expected to report improved gains in total sales next year, however, real sales are projected to be off 2.9 percent. Although many cafeterias are doing well, others are faced with economic pressures inherent in serving a large choice of items with not enough customer turnover. **Ice cream and frozen custard stands** have slowed their spectacular growth, but are still above the industry average.

Social caterers' real sales are projected to decline 6.1 percent due to increased competition, primarily from restaurants.

Menu Prices Pushed Upward

Menu prices in 1981 are expected to increase 10.0 percent, similar to the 10.1 percent gain in 1980 but more than one full percentage point below the gain in 1979. Based on the United States Department of Agriculture's forecast for a 13 percent increase in grocery prices next year, it appears that eating places will enjoy a more favorable competitive position in the eyes of the consumer since menu prices are unlikely to rise quite so rapidly.

We calculate the increase in menu prices by using a formula which attributes 40 percent of the increase to changes in food costs, 30 percent to labor costs, 4 percent to energy and 16 percent to other operating costs.

After rising by 8.2 percent in 1980, we believe strong advances predicted by USDA and others for meat and poultry prices will boost the 1981 food cost increase to 11 percent. As the Federal minimum wage moves up to $3.35 from $3.10 and social security and other benefit costs rise as well, labor costs are anticipated to advance by about 8.5 percent. In addition, we expect natural gas and electricity rate hikes to push energy costs up 15 percent while all other costs move upward at the same 9.4 percent rate forecast for the GNP deflator.

Restaurants Meet the Challenges of 1980-81

The hallmark of today's successful restaurant operation is growing professionalism exemplified by efforts to improve service and offer customers increased value for their dollars. As competition intensifies, quality operations will do better than average because they will deliver the all important price/value relationship today's sophisticated consumer is shopping for. In addition, many small operations have a good opportunity to provide the quality, personal service that discriminating customers seek.

Since the consumer is examining more carefully where he will spend his hard earned dollars, it follows that a premium will be placed on the well run operation. This is the time for the quality operator to enhance his market share and competitive position.

Operators are developing sophisticated marketing and merchandising plans to attract and serve customers and increase profitability. More restaurants are identifying and studying their patrons and those who are not their customers as well. Market segmentation and repositioning to meet the consumer's needs are becoming more commonplace.

In response to the pressure to deliver a positive price/value relationship, the industry has turned increasingly to promotions in order to raise customer counts. CREST data show that the proportion of occassions on promotion rose 22 percent in the Summer Quarter from the previous year following a gain of 30 percent in the spring.

In the coming year we are likely to see greater ingenuity with promotions to attract the consumers interest as well as additional value merchandising. Also greater effort will be made with decor to help provide an extra margin of perceived value despite menu price inflation.

The industry has become increasingly cognizant of the necessity to develop and implement cost controls in order to hold menu price rises in line. As prices move upward again in 1981, operators will redouble their efforts to manage food costs. Improvements in inventory and waste controls will be made. In addition, menu mix and portion size will be reexamined. As labor costs increase and the labor market situation becomes more challenging, operators will seek ways to improve employee productivity. Energy conservation practices will be put into use as well.

Travel and Recreation Foodservice to Perform Well in 1981

Excluding eating and drinking places, the remaining portion of the Commercial Feeding Group consists of food contractors, lodging places, retail hosts, recreation and sports centers, mobile caterers, vending and non-store retailers. Foodservice at these locations represent approximately one fifth of the sales for the Commercial Group while eating and drinking places account for the majority or 80 percent.

Food contractors in the **airline industry** are expected to post the strongest gain of any sector in the foodservice industry next year as sales rise 15.0 percent. This gain will be well above recent increases due to a projected 4 percent rise in airline traffic. More and more consumers will satisfy their desire to travel while travel by businessmen and foreign tourist increases as well.

Foodservice in **recreation and sports centers** is expected to record strong real sales gains of 2.5 percent for contract feeders and 2.7 percent for non-contract locations next year as consumers look for a change from their daily routine. As long as gasoline supplies remain abundant, the outlook for recreation and sports in 1981 will be positive.

Total employment is expected to post gains in 1981. Therefore food contractor sales in **office buildings** will be up 11.7 percent and 10.5 percent in **industrial plants.** Both of these gains are above their respective three year average annual rates.

Modest gains in real sales for food contractors at **hospitals and nursing homes** and **colleges and universities** reflect growth in large scale professional management.

The **lodging industry** sector is expected to post a foodservice sales gain of 11.1 percent as hotel restaurants lead the way. The hotel/motel group is undergoing major increases in downtown and quality property construction. In addition, the foreign visitor has become increasingly important beyond main gateway cities. With increased air travel and a little less austerity in corporate circles, real growth for lodging place foodservice will approximate 1.1 percent in 1981.

Food and beverage sales at **retail host restaurants** will rise 9.2 percent in 1981 compared to the slightly lower three year average of 8.6 percent. Real sales will be off 0.8 percent, however, as consumers continue to avoid shopping trips where possible. Rather than shopping, consumers will make trips to buy specific items which leaves very little room for impulse meals and snacks.

Mobile caterers will record a recovery from 1980 with a sales gain of 10.5 percent, due to increased employment and good recreation business. They will not post real gains similar to those in previous years, however, since high interest rates will slow the recovery in construction business.

Vending sales will be up 10.4 percent in 1981, well above the three year average of 7.5 percent. Real growth will be about 0.4 percent as industrial employment increases and some businesses turn from manual to vended foodservice.

Institutional Leaders: Transportation and Community Centers

Sales for institutional feeders are expected to reach $18.5 billion in 1981, a 10 percent increase from this year. This gain, which is somewhat above the compound three year average, is based primarily on projected food cost increases. In real terms, total sales for the Institutional Group will remain flat due to declining or stable population levels in these facilities.

Employee Feeding sales are expected to gain slightly in real terms due to improved prospects as the number of employees in the manufacturing sector rises. The increase in this sector is moderated somewhat due to increased use of foodservice contractors, however. As a result sales are expected to be up 10.2 percent with a real gain in the neighborhood of 0.2 percent.

Enrollment declines in **public and parochial schools**, which are not expected to reverse until 1985 or 1986, are primarily responsible for the 1.2 percent decline in real sales expected next year. The losses in enrollment have been partially offset by increased participation in breakfast programs, however.

College and university sales will remain relatively flat in real terms. Although enrollments have not increased, the trend to live on campus and eat on campus because it is less expensive continues.

Transportation is a bright spot in the institutional market with air travel and cruise bookings up from 1980. Total food and beverage sales are expected to jump 14.4 percent with real gains on the order 3.4 percent.

Hospitals show a 9.8 percent sales gain with a 0.3 percent decline in real terms. This is due to a continuing trend toward the reduction of long term care facilities.

Institutional feeding sales at **nursing homes** will be up 10.6 percent with a 0.5 percent increase in real sales. Although the number of nursing homes has stabilized, a modest but fairly constant increase in population is occurring as we live longer.

Clubs, sporting and recreational camps are expected to post an 8.5 percent sales gain. Due to cost pressures, real sales will decline by about 2.5 percent, however.

Community centers are still the beneficiaries of government funding. Real sales are expected to gain a substantial 2 percent in 1981. As the new Congress takes a serious look at social programs in the coming year funding could be curbed.

Military Sales to Post a Real Decline

In current dollar terms Military Group sales will increase by a below average 8.1 percent. Due to inflationary pressures on armed forces personnel, sales at military clubs and PX foodservice will record a 1.9 percent real decline.

BACKGROUND

In this issue, we show initial projections for 1981, revised projections for 1980 and final sales estimates for 1978. It should be noted, however, that 1978 food and drink sales for the retail host sector will be revised as necessary in accordance with the *1977 Census of Retail Trade Merchandise Line Sales Report*. (Readers may refer to the December 1979 *Foodservice Trends* for NRA's definition of the industry's major segments.)

For the first time, NRA's annual foodservice industry forecast includes real growth projection for all industry sectors. Real growth is calculated separately for each market segment. In the case of eating places, we subtract the projected percent increase in menu prices from the percent increase in sales. For drinking places it was necessary to make a special estimate of the inflation factor more heavily weighted toward alcoholic beverages. For other industry sectors, such as colleges and universities which are primarily driven by food costs, a modification of the projected increase in the Producer Price Index for food was used. Specific modifications of this index were based on historical patterns for each industry sector. The food cost component constituted the base percent increase which was adjusted to reflect population changes and other factors.

For the total foodservice industry as well as the totals for the Commercial and Institutional Groups, real sales for 1981 were first developed for each sector by multiplying current dollar 1980 sales by their respective real growth factors. These real sales figures were then added and compared with the totals for 1980 to obtain real growth.

A word of caution is necessary with all forecasts. Sales projections for 1981 are based on the best data available as of November 1980. If the outlook for general economic conditions or the food situation changes during the coming year, our projections will also require adjustment. In addition, the performance of individual companies or sales in various local areas may differ significantly from the U.S. outlook.

INDUSTRY SALES TOP $111 BILLION IN 1980

Total foodservice industry sales in 1980 will reach $111.3 billion in 1980, up 8.2 percent from 1979's $102.9 billion. Sales for the Commercial Group will equal $93.8 billion in 1980, an increase of 8.3 percent over 1979, and Institutional foodservice sales will rise only 7.5 percent. Sales for the Military Group, which were $675 million in 1979, are expected to total $712 million in 1980, representing an increase of 5.5 percent.

Eating Place Sales To Equal $65.7 Billion

Eating places, which account for nearly 60 percent of total foodservice industry sales, are forecast to have 1980 sales of $65.7 billion, an advance of 8.6 percent over 1979. This increase is smaller than the 9.4 percent gain last year and considerably below the 11.0 percent gain in 1979 and 1978.

More rapid inflation, considerable declines in real disposable income (especially in this year's second quarter), higher prices for gasoline and government imposed credit controls have resulted in the downward revision of our 1980 eating place sales forecast published last December.

Menu Prices to Rise 10 Percent in 1980

Menu prices in 1980, as measured by the Bureau of Labor Statistics' Consumer Price Index for food-away-from-home, will increase about 10.1 percent over 1979, close to NRA's original 9.7 percent forecast. This is the second consecutive year in which menu prices have risen at a double digit pace; however, the 1980 projected increase is considerably below that of the prior year when restaurant meal prices advanced 11.2 percent.

CREST information for the most recent year ending August 1980 shows that the average per person check size rose 9.0 percent over the prior year, considerably lower than the 10.1 percent rise indicated by the CPI statistics. The CREST measurement takes into account the fact that the consumer may be ordering fewer or less expensive menu items and may be utilizing special deals and "cents-off" coupons to reduce the cost of the meal. The CPI figure does not reflect such things.

Real Eating Place Sales To Decline By 1.5 Percent

Based on the 8.6 percent gain in eating place sales and the 10.1 percent rise in menu prices, it appears that real eating place sales will decline by 1.5 percent this year. This is a slight improvement over the 1.8 percent real sales decrease experienced in 1979, but it does mark the second straight year of inflation-adjusted sales declines for restaurants.

Readers are reminded that this change in real sales represents an industry average for all eating place categories, including full service restaurants, fast food restaurants and cafeterias. Many restaurants throughout the country will fare much better in 1980 than these industry-wide figures indicate.

Food Service Industry Sales 1979-1980

	Food and Drink Sales (000)		Percent Change	
	1979	1980	(Current Dollars)	(Constant Dollars)
COMMERCIAL	$ 86,618,263	$ 93,797,373	8.3%	(1.8%)
EATING PLACES	$ 60,448,306	$ 65,672,853	8.6%	(1.5%)
Restaurants & Lunchrooms	32,164,093	34,705,883	7.9%	(2.2%)
Commercial Cafeterias	1,996,418	2,112,210	5.8%	(4.3%)
Limited Menu Restaurants	24,356,086	26,796,566	10.0%	(0.1%)
Social Caterers	745,369	772,202	3.6%	(6.5%)
Ice Cream, Frozen Custard Stands	1,186,340	1,285,992	8.4%	(1.7%)
BARS AND TAVERNS	$ 7,092,674	$ 7,553,698	6.5%	(2.1%)
EATING AND DRINKING PLACES	$ 67,540,980	$ 73,226,551	8.4%	(1.5%)
INSTITUTIONAL	$ 15,608,358	$ 16,781,356	7.5%	(0.7%)
MILITARY	$ 674,925	$ 711,991	5.5%	(4.6%)
TOTAL FOODSERVICE INDUSTRY	**$102,901,546**	**$111,290,720**	**8.2%**	**(1.6%)**

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analysis and interpretation
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A Supplement to the
Washington Report
January 5, 1981

1981 Outlook for Food Prices and Supplies

Wholesale food prices to rise faster this year

- **Beef prices will rise 16 percent in 1981 in spite of increased production.**
- **Pork supplies will decline dramatically and prices are expected to advance 34 percent.**
- **Chicken production will continue to expand but higher feed costs will push prices up.**
- **Egg prices will strengthen because of increased demand for lower cost high-protein foods.**
- **Dairy product prices are expected to rise about 10 percent in 1981.**
- **Processed fruit and vegetable prices will increase because of higher production and marketing costs.**

WHOLESALE FOOD PRICES TO RISE FASTER IN 1981 THAN IN 1980

The U.S. Department of Agriculture at its recent Agricultural Outlook Conference in Washington, D.C. announced that food prices at the wholesale level will be rising at a faster pace in 1981 than in 1980. Advances in farm prices for many commodities as well as higher marketing, transportation and packaging costs will all combine to push food prices up in 1981. The most dramatic increases will be in prices for red meats (especially pork), dairy products, poultry, eggs, and imported foods such as coffee and sugar.

During the first eleven months of 1980, wholesale food prices for restaurants have risen 5.1 percent compared to a gain of 7.5 percent for all food according to the Producer Price Index. As shown in the accompanying Commodity Price Index chart, prices for bakery goods, flour and cereal, sugar, beverages and dairy products have been rising rapidly in 1980.

In the remaining sections of this report we will highlight the 1981 outlook for many of the commodities which are important to the foodservice industry. This information was obtained from the U.S. Department of Agriculture and Chase Econometrics in late November and early December.

Beef: Increased Supplies But Higher Prices

Beef production is expected to increase about one percent in 1981 according to USDA estimates and total 21.6 billion pounds. Chase Econometrics is also predicting an increase in beef production, but sees a smaller 0.2 percent gain. Beef supplies will remain larger through the first quarter of 1981, due to increases in grain fed and grass fed production, according to Jim Nix, a USDA livestock analyst. In the first three months of this year, Mr. Nix expects production to rise as much as 6 percent over the same quarter in 1980, but production is forecast to fall off in the second quarter. Chase Econometrics expects beef supplies to increase in the first quarter and to decline in the second quarter; however, there should be a steady increase in supplies dur-

Commodity Price Index

COMMODITY	1978-1979	Nov. 79-Nov. 80	11 mos. 79-11 mos. 80	Oct. 80-Nov. 80
Bakery Products	10.0%	10.5%	11.8%	1.3%
Flour & Cereal	12.4%	9.6%	12.4%	1.7%
Beef & Veal	24.7%	(1.5%)	3.6%	(3.9%)
Other Meats	(2.8%)	17.4%	(3.8%)	(1.1%)
Pork	(6.4%)	18.3%	(5.2%)	(1.5%)
Lamb	5.9%	(3.9%)	(0.5%)	(6.3%)
Poultry & Eggs	0.7%	9.2%	0.4%	0.8%
Poultry	(2.8%)	9.3%	2.1%	(2.5%)
Eggs	11.3%	8.6%	(4.2%)	10.7%
Fish & Shellfish	22.6%	(8.8%)	2.2%	2.2%
Sugar & Sweets	6.9%	55.4%	35.0%	0.5%
Sugar	8.3%	81.8%	50.3%	0.9%
Vegetables	2.0%	15.7%	5.8%	3.5%
Fresh Vegetables	0.5%	21.9%	6.2%	6.2%
Fruits & Juices	8.7%	8.6%	4.7%	4.2%
Fresh Fruit	5.8%	18.6%	4.9%	10.3%
Beverages	0.8%	(2.1%)	9.3%	(0.5%)
Dairy Products	12.1%	9.6%	9.3%	0.9%
Fats & Oils	6.4%	2.4%	4.6%	0.8%
NRA Food Cost Index	**12.2%**	**5.4%**	**5.1%**	**(0.2%)**
All Food, Producer Price Index[1]	9.5%	12.8%	7.5%	0.4%

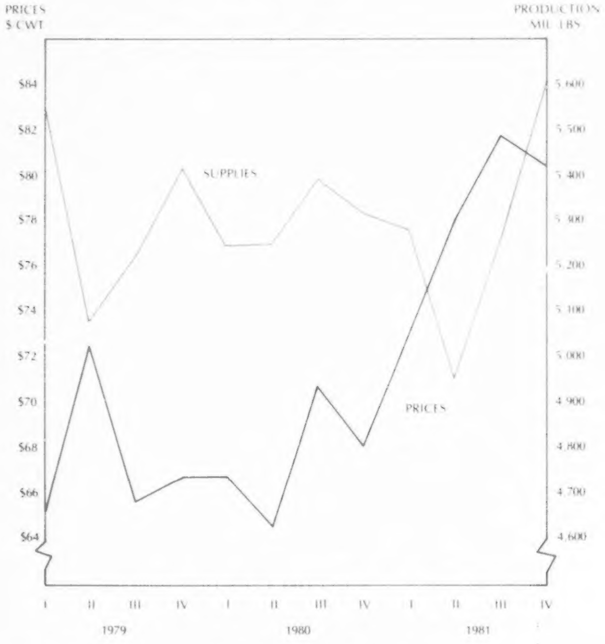
[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA.

ing the last half of the year.

Sizable quantities of beef early in 1981 together with a slowly expanding economy will moderate beef price gains. Choice steer prices should average in the lower $70's per hundredweight in the first three months and then rise to the upper $70's by the end of the first half and average in the low $80's during the last six months. Overall, 1981 choice steer prices should average $78.32 up nearly 16 percent from 1980's average of $67.59. The primary reasons for the continued rise in beef prices are increased demand, higher feed costs for producers and a sharp drop in supplies of competing meats, especially pork.

Beef Prices and Supplies, 1979-1981



SOURCES: U.S. Department of Agriculture; Chase Econometrics.

Utility cow prices, which reflect the costs for hamburger, will be rising steadily for the first three quarters of 1981 and then fall off slightly in the final three months when supplies are expected to rise dramatically. For all of 1981, utility cow prices should average $53.27 per hundredweight, an increase of 15 percent from 1980's average of $46.30. Supplies of hamburger-grade beef will be off slightly from the prior year and supplies of lower cost competing meats will also decline putting upward pressure on prices.

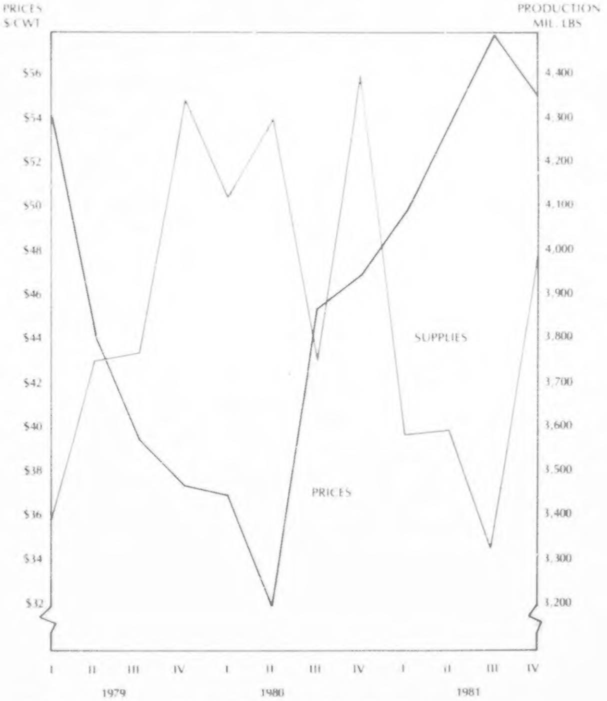
Pork: Supplies Will Decrease and Prices Will Rise

Pork production in 1981 will be down dramatically from 1980's record level. Chase Econometrics predicts that this year's pork production will total 14.5 billion pounds, a decrease of 12.5 percent from 1980's 16.6 billion pounds. Negative profit margins for producers throughout much of 1980 have caused most operators to cut back on production. Although profits for producers are expected to increase this year, much of the higher return will be offset by rising production costs, especially high feed costs.

Production on a quarterly basis will be significantly below corresponding quarters in 1980, as shown in the accompanying chart. Supplies will reach their lowest level in the third quarter and pick up significantly in the fourth quarter.

Wholesale pork prices will increase nearly 34 percent in 1981, according to Chase Econometrics. Prices will average $54 per hundredweight this year compared to $40.41 last year. Prices in the mid to upper $50's will be reached in the last half of the year due to decreased supplies, especially in the third quarter.

Pork Prices and Supplies, 1979-1981



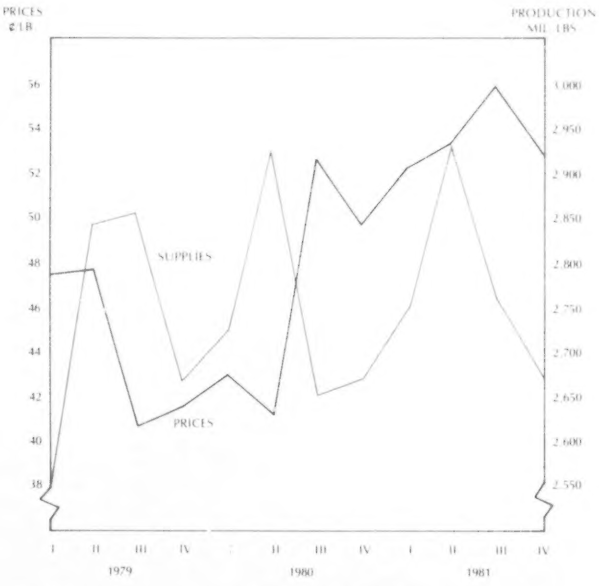
SOURCES: U.S. Department of Agriculture Chase Econometrics.

Chicken: Increased Demand and Lower Supplies of Competing Meats Will Result in Higher Prices

Chicken production is expected to expand to 11.4 billion pounds, up only 3 percent from 1980's level. Loss of breeder hens from last summer's drought and lower profit margins have caused producers to scale down future production. Supplies of chicken will continue to increase for the fifth consecutive year, however.

Alen Baker, a USDA livestock analyst, stated that broiler output may expand one percent above levels in the first quarter of 1981 and be about equal to year-earlier levels in the second quarter. If prices are above production costs, especially in the second quarter when demand usually increases seasonally, second half 1981 production could equal first-half production. On the other hand, if feed costs rise more than expected or broiler prices are lower than expected, second half 1981 chicken production could be reduced.

Broiler Prices and Supplies 1979-1981



SOURCES: U.S. Department of Agriculture; Chase Econometrics.

Broiler prices are expected to strengthen in 1981 as the economy expands and supplies of competing meats, particularly pork, decline. Wholesale prices for broilers, according to USDA's Baker, may average 51 to 53 cents in the first quarter of 1981 and increase to 54 to 56 cents in the second quarter. These prices would be significantly above the 43 and 41 cents of the first and second quarters of 1980. Prices in the second half of 1981 may average 55 to 58 cents, dropping to the lower end of the range as demand weakens in the fourth quarter. Overall, 1981 broiler prices should advance about 15.0 percent compared to a 5.0 percent rise in 1980.

Eggs: Production Down and Prices Up

Egg output in 1981 will most likely be one percent less than in 1980, with most of the reduction occurring in the first quarter and output equaling 1980 levels in the rest of the year. Recent movements in prices and egg consumption suggest that cuts in output will generate price increases that allow producers to cover production costs.

Egg prices tend to move with prices of other high-protein foods, according to USDA's Baker. When prices of meats increase, eggs may become an alternative source of protein, and increased meat demand and low supplies in the second half of 1981 could boost meat prices and give additional strength to egg prices. If producers reduce output in the first half of 1981, egg prices will be much stronger than in 1980. Prices may average 76 to 78 cents per dozen in the first quarter, compared to prices in the low 60's a year-earlier. In the second quarter prices should decline to the low 70's because of weakening demand. Prices in 1981's second half may rise 11 percent over the prior year and average 79 to 81 cents if the economy improves and demand for high protein foods increases. Overall, egg prices are expected to average about 74 cents a dozen this year an increase of 12 percent from 1980's average of 66 cents.

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Dairy Products: Plentiful Supplies

Milk production will be at a record level in 1981 according to Clifford M. Carman, USDA's dairy expert. However, commercial use of milk in other dairy products will remain constant, forcing USDA to continue to remove products from the market and causing prices to remain high.

Milk prices in the first quarter will rise due to higher production costs and seasonal changes resulting in higher fat content and causing processing costs to rise. For the rest of 1981, the farm milk price will be based on the mandated April 1, 1981 support price increase, the supply of milk and its demand. (NOTE: Dairy support prices were increased 6 percent in April of 1980 and 13 percent in October.) Overall, USDA expects the farm price of milk to rise about 10 percent this year.

With commercial stocks of butter more than a quarter below a year ago (as of October 1), wholesale butter prices would normally be expected to strengthen. However, the expected large production of butter this past fall and the sellback policy by USDA will limit upward price movement. For 1981, butter price advances will closely parallel advances in support price levels, unless commercial use picks up.

Although commercial stocks of American cheese are also below last year, any price strength will be due to an upswing in sales from the sluggish pace of much of 1980. Because of higher meat prices in 1981, American cheese use should improve, and wholesale price may advance above the support price. USDA's sellback policy will limit the upward climb however.

Vegetables: Tighter Supplies

Small supplies of both fresh and processed vegetables this past season will mean higher prices for many vegetables at least until the middle of this year. In addition, increased processing costs and rising demand will also put upward pressure on prices. Supplies of canned vegetables are expected to be about 6 percent smaller during the 1980/81 season and prices will remain above year-earlier levels. The supply-price picture for frozen vegetables is about the same: supplies will be tighter and prices will be substantially higher than last year. Increased processing and marketing costs will raise prices for frozen vegetables more rapidly than those for canned vegetables. Overall, 1981 processed vegetable prices should rise about 11 percent in 1981.

Because most vegetables are readily interchangeable with one another at both the production and consumption ends of the marketing spectrum, forecasting supplies and prices for individual items is difficult, if not impossible. USDA economists, however, believe that smaller supplies of processed vegetables together with higher processing and marketing costs will result in higher prices for both canned and frozen vegetables in early 1981. As a result, USDA expects larger plantings and increased supplies of many vegetables during the spring and summer of 1981 with some price relief late this year.

NRA will be monitoring vegetable supplies and prices in 1981 and will report any significant changes in future issues of *Foodservice Trends*.

Fruit: Ample Supplies

The Fruit industry in the 1980/81 season expects to repeat the preceding season's pattern with ample supplies of both citrus and non-citrus fruits. Even with larger supplies, prices are expected to rise because of increased marketing costs.

The first forecast of the 1980/81 citrus crop, as shown in the accompanying table, indicates a record crop of 16.5 million tons. Dominating the citrus scene is the prospect of another record for orange production, primarily because of the record crop from California.

Fresh orange prices at both farm and retail levels in 1980 were substantially below year-earlier levels. The record crop prospects for 1980/81, combined with larger carryover stocks of most processed items, especially frozen concentrated orange juice, will cause orange prices to remain weak. Prices of fresh oranges will be lower than last year, barring a major freeze.

Non-citrus fruit supplies are plentiful and grower prices are expected to average less than a year-earlier. However, prices for most canned fruits are rising and will continue to do so because contracted prices are higher and processing costs are moving upward. Dried fruit (raisins, prunes) prices are expected to remain steady due to large supplies.

U.S. Citrus Fruit Production

Crop	1978/79	1979/80	1980/81
		1,000 short tons	
Oranges	9,160	11,839	11,916
Grapefruit	2,661	2,875	2,828
Lemons	745	789	984
Limes	29	44	48
Tangelos	189	288	234
Tangerines	237	275	273
Temples	212	270	257
Total	13,233	16,380	16,540

NOTE: Excludes California grapefruit in areas other than desert valley.

SOURCE: U.S. Department of Agriculture.

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NATIONAL
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FOODSERVICE TRENDS

Volume 3, Number 1
February, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

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YOUR COOPERATION IS NEEDED AS NRA LAUNCHES 1981 STUDY OF INDUSTRY OPERATIONS

NRA will launch a comprehensive study of foodservice operations this month in cooperation with the accounting firm, Laventhol and Horwath. We urge each NRA key member to participate in this valuable study designed to obtain a wealth of financial and operating data from all types of restaurants.

The study will update *Restaurant Industry Operations Report '79* which continues to be much in demand. It is designed to provide operators with valuable industry information, including the following:

—return on investment
—composition of payroll costs by function
—ratios of food and beverage costs
—controllable expense ratios
—break-even point analysis
—net income

Data will be compiled on the basis of location, sales, years in business and type of unit including:

—full menu, tableservice restaurants
—limited menu, tableservice restaurants
—coffee shops
—fast food restaurants
—cafeterias

Your cooperation is needed to make this continuing effort a success. We urge each NRA key member who will receive a questionnaire concerning restaurant operations to see that it is completed and returned to Laventhol and Horwath.

As an added incentive, participants in the survey will receive a complimentary copy of the comprehensive survey report scheduled to be available by mid-summer.

NEW DATA RELEASED ON AVERAGE MEAL COSTS BY CENSUS BUREAU

The Bureau of the Census has recently released information from the *1977 Census of Retail Trade* which, for the first time, enumerates eating places and their sales by per person check size. These data for restaurants, commercial cafeterias and fast food or refreshment places were collected by Census at the suggestion of the National Restaurant Association. Since check size is one of the three primary determinants of restaurant type, along with service and menu, these data constitute a wealth of new information about our industry. They are especially valuable because they are available for most states and many metropolitan areas.

For the first time we are able to say, with a degree of certainty, that in 1977 there were 4,111 higher-priced restaurants with average per person check size of $10.00 or more in the United States.

Restaurant Operators Will Find Information Useful

The information in this latest Census publication can be especially valuable for a restaurateur who might be studying the feasibility of entering a specific market such as Colorado Springs, Colorado. The data for res-

Average Cost Per Meal—1977

	Restaurants and Lunchrooms				Cafeterias				Refreshment Places			
	Establishments		Sales (000)		Establishments		Sales (000)		Establishments		Sales (000)	
	#	%	#	%	#	%	$	%	#	%	$	%
Average Cost of Meal Under $2.00	23,137	19.4%	3,175,248	11.2%	2,802	40.0%	366,991	19.9%	52,550	56.9%	11,028,027	56.5%
Average Cost of Meal $2.00 to $4.99	69,190	58.2%	14,722,973	51.7%	4,160	59.4%	1,456,914	72.1%	38,366	41.5%	8,184,834	41.9%
Average Cost of Meal $5.00 to $9.99	22,458	18.9%	8,450,447	29.7%	35	0.5%	N.A.	8.0%	1,392	1.5%	303,023	1.5%
Average Cost of Meal $10.00 or More	4,111	3.5%	2,122,147	7.4%	4	0.1%	N.A.		49	0.1%	10,698	0.1%
Total	**118,896**	**100.0%**	**28,470,815**	**100.0%**	**7,001**	**100.0%**	**1,841,056**	**100.0%**	**92,357**	**100.0%**	**19,526,582**	**100.0%**

SOURCE: *1977 Census of Retail Trade*, "Miscellaneous Subjects," U.S. Department of Commerce, Bureau of the Census.

taurants in this particular metropolitan area are shown in the accompanying table and describe the competition in some detail. For example, in 1977 there were 5 restaurants in Colorado Springs with an average per person check of $10.00 or more. These units had average sales of $235,400.

Average Cost Per Meal at Restaurants in Colorado Springs, Colorado—1977

Average Meal Cost	Number of Units	Sales (000)
Under $2.00	54	$ 4,639
$2.00 to $4.99	100	20,355
$5.00 to $9.99	27	11,163
$10.00 or more	5	1,177
Total	186	$37,334

SOURCE: *1977 Census of Retail Trade*, "Miscellaneous Subjects," U.S. Department of Commerce, Bureau of the Census.

This type of detailed information, which is available for approximatley 150 metropolitan areas, along with demographic trends and projections should prove to be a valuable tool in assessing competition and evaluating specific market areas for restaurant operators and managers. Readers who wish to obtain information for a specific metropolitan area may contact NRA's Information Resource Center, 311 First Street, N.W., Washington, D.C. 20001 or the Bureau of the Census.

Average Cost Per Meal Under $2.00 Most Prevalent at Refreshment Places

At the majority of fast food establishments, those classified as refreshment places, the average meal costs less than $2.00. On the other hand, only 40 percent of the cafeterias and less than 20 percent of the restaurants have average meal costs under $2.00. This reflects the lower cost, limited number of menu items available at fast food places compared to the full menu service aspect of restaurants.

Nearly 60 percent of the restaurants reported that average meal costs range between $2.00 and $4.99 and slightly less than 20 percent have average meal costs ranging between $5.00 and $9.99. In addition, 3.5 percent of the restaurants were classified as having average per person meal costs of $10.00 or more. Readers should note that this is the only eating place category where a significant amount of sales can be attributed to establishments with the highest meal costs. This most likely reflects the full service nature of these foodservice establishments as well as their emphasis on providing patrons with a full line of food and beverage items.

NRA FOODSERVICE TRENDS

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CREST STUDY SHOWS THAT SINGLES' RESTAURANT VISIT BEHAVIOR CHANGED

CREST (Consumer Reports on Eating Share Trends) has recently completed its second year of tracking eating out behavior for single person households. This new information reveals changes made by singles in their restaurant visit behavior during the past year and completes the picture for the family and singles restaurant market. The following report will highlight the more important findings from this CREST study for the year ending August 1980. (For information relating to singles eating out behavior for the period from September 1978 to August 1979 readers should refer to the February 1980 issue of *Foodservice Trends*).

Singles Spend More and Eat Out More Frequently

Single person households account for 24 percent of restaurant sales and 20 percent of the customer traffic, according to CREST data for the period September 1979 through August 1980. On the other hand, CREST families (persons from households with two or more persons) account for 76 percent of the sales and 80 percent of the traffic during this same twelve month period. The importance of the contribution that singles make to our industry becomes clear when it is remembered that members of single households make up only 8 percent of the total population versus 92 percent for members of families. Although singles account for just 8 percent of the population, they spend a hefty 24 percent share of restaurant dollars.

Percent Change Versus Year Ago
(Sept. '79-Aug. '80 versus Sept. '78-Aug. '79)

	Singles	Families	Total Households
Dollar Sales	+ 1.7%	+4.8%	+4.1%
Traffic (Eater Occasions)	− 8.5%	−3.8%	−4.8%
Number of Households	+ 5.8%	+1.3%	+2.3%
Average Per Person Check	+11.3%	+9.0%	+9.1%

NOTE: Information based on average two week period.

SOURCE: CREST.

Singles, therefore, represent a prime market for our industry. They are more likely to eat out, eat out more frequently and spend more during each restaurant visit on a per person basis than do families, thereby accounting for their higher proportion of sales than eater occasions. In terms of penetration, defined by CREST as the percentage of persons/families eating out, singles show a slightly greater tendency to be part of the eating out market than do families. Penetration for singles reached 82.3 percent compared to a slightly lower 77.9 percent for families. During an average two week period, singles patronize restaurants 10.5 times while patron families visit only 8.5 times. A greater flexibility concerning where or when they eat and the relative convenience of eating out versus eating at home probably accounts for the higher visit frequency and greater penetration for single person households.

CREST data indicate that the average per person check size for single panel members was $3.06, 26 percent higher than the $2.43 for family panel members. Other research data from both government and private sources also indicate that single person households spend considerably more on food away from home on a per capita basis than do families. For example, information from the *1972-73 Consumer Expenditure Survey* conducted by the Bureau of Labor Statistics showed that singles spend twice as much on an annual per capita basis on meals outside the home as do all households.

Traffic for Singles Drops 8.5 Percent

All of the negative factors operating to hold down restaurant visits by families may have had a stronger impact on single households. These factors include higher gasoline prices, higher housing costs and declines in real disposable income. In addition, higher unemployment for singles in 1980 probably contributed to their reduction in restaurant visits. Bureau of Labor Statistics data on unemployment show that the jobless rate for singles was consistently higher than the overall rate for the U.S. last year. The loss of income by singles was likely more severe than that for families because there was no second income to fall back on. As a result customer traffic at restaurants for singles dropped 8.5 percent compared to a 3.8 percent decline for families. Overall industry customer counts were down 4.8 percent for the year ending August 1980.

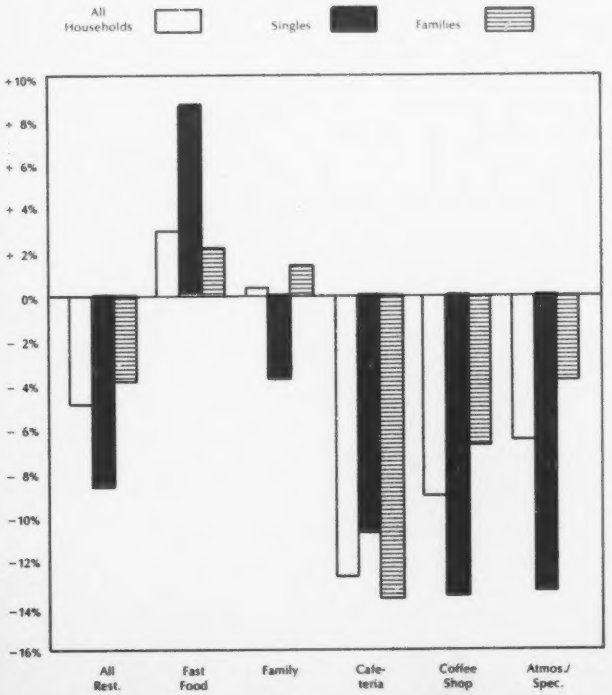
The reason for the dramatic fall off in traffic for singles is that many singles dropped out of the eating out market and others cut back on their frequency of dining out. For the year ending August 1980, 82 percent of the single households ate out, down considerably from 88 percent for the prior 12 month period, representing the largest drop in penetration in CREST history. In this latest CREST year, one person households ate out an average of 10.5 times during a two week period compared to 11.3 times for the prior CREST year. The decline in single customer traffic becomes even more dramatic when the substantial growth in one person households of 5.8 percent last year is noted as well. CREST researchers say that singles with incomes under $10,000 were more likely to drop out of the market, while singles between the ages of 35 to 49 cut back most drastically on their frequency of eating out.

Restaurant Sales Up Only 1.7% for Singles

Restaurant sales for singles rose only 1.7 percent during the year ending August 1980 because of a decline in number of singles eating out and a cut back in visit frequency. On the other hand, sales for CREST families rose 4.8 percent, and for the entire industry sales increased 4.1 percent.

Menu price inflation may have caused some singles to alter their eating out behavior. The per person check size for single panel members rose 11.3 percent during this recent CREST year.

Percent Change in Customer Traffic by Restaurant Type (Sept. '79-Aug. '80 vs. Sept. '78-Aug. '79)



SOURCE: CREST.

Singles Increase Visits to Fast Food Restaurants

One segment of the restaurant industry benefited from changes made by singles in their eating out behavior. Singles traffic at fast food restaurants rose an impressive 8.7 percent compared to a gain of 2.2 percent for families. Singles traffic at family restaurants also held up better than overall ~~singles traffic~~-a decline of 3.7 percent versus a decline of 8.5 percent. On the other hand, significant traffic declines for singles were noted at take out restaurants, coffee shops, cafeterias and atmosphere/specialty restaurants, as shown in the accompanying chart.

An analysis of single eater occasions (traffic) by restaurant type indicates that one person households apportioned the greatest percentage of their occasions to fast food restaurants for the year ending August 1980. Twenty-two percent of single person eating occasions were at fast food restaurants up from 18.8 percent in the prior year. However, the proportion of visits to atmosphere/specialty restaurants dropped during this same period, from 19.8 percent to 18.8 percent.

A possible explanation for this change in singles restaurant behavior is that inflationary pressures caused them to "trade down" as many families had done. The per person check size for these one person households for atmosphere/specialty restaurants is $5.82 compared to $2.19 at fast food restaurants. At a time when real incomes were declining, many singles altered their behavior in favor of fast food restaurants, but they continued to patronize the foodservice industry.

Supper Traffic for Singles Up 6.5%

An analysis of customer traffic by meal period for singles shows that supper customer counts held up best. For CREST singles traffic for the evening meal rose 6.5 percent versus a drop of 2.1 percent for CREST families. Perhaps singles find supper to be the easiest meal to eat out because of their more flexible schedules and the relative inconvenience of fixing a meal for only one person.

In the latest CREST year, singles were satisfying fewer of their breakfast and luncheon occasions at restaurants. For this group, breakfast traffic was down 16.0 percent compared to a traffic gain of 4.7 percent for families. Luncheon customer counts dropped by 15.7 percent for singles, over three times the rate of decline for families.

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CREST REPORT

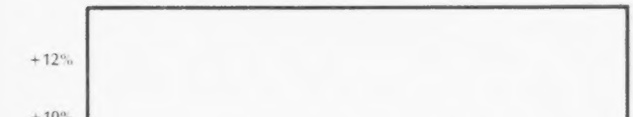
Quarterly Supplement to
Foodservice Trends
February, 1981

- **Customer traffic increased 1.4 percent in the Fall Quarter over the same period last year.**
- **Industry sales rose 9.8 percent in the Fall Quarter, more than double the 4.1 percent increase in the Summer Quarter.**
- **The number of families eating out increased 2.5 percent, but families cut back on their frequency of eating out.**
- **Traffic rose 5.3 percent at family restaurants and 3.5 percent at fast food restaurants.**
- **Promotional usage by operators continues at a high level, with 9 percent of the occasions in the Fall Quarter involving a promotion versus only 7.7 percent of the occasions last fall.**
- **Supper traffic increased 3 percent in the fall, snack traffic was up 1.7 percent and breakfast customer counts continued to rise for the fifth consecutive quarter.**

CUSTOMER TRAFFIC INCREASES 1.4 PERCENT IN FALL QUARTER

Restaurant traffic counts increased 1.4 percent in the Fall Quarter (September, October, November) according to recent CREST information, signaling a possible recovery for the industry. This is the first increase since Winter Quarter 1980 and follows steep declines of 4.1 percent in the Summer Quarter and 5.6 percent in the spring. Traffic in the same quarter last year (Fall 1979) was down 5.8 percent, indicating that restaurant customer counts are still below 1978 levels. However, the steady improvement in traffic since the disastrous Summer Quarter of 1979, may mean economic recovery for the industry this year. (See accompanying chart on quarterly changes in customer traffic.)

Percent Change in Quarterly Customer Traffic (Fall '78-Fall '80)



SOURCE: CREST.

The recent industry performance was apparently helped by the slowdown in price increases for food away from home. The CREST Fall Quarter was the first one since Spring 1979 that grocery store food prices increased at a faster rate than menu prices. Food away from home increased 9.6 percent in this most recent quarter (September, October, November) compared to the 10.3 percent increase for food at home prices. For all of 1980, however, food away from home averaged 9.9 percent higher, while food at home prices rose at a slower 8.0 percent pace. The NRA predicts that in 1981 menu prices will rise at a substantially slower pace than grocery prices, 10.0 percent versus 13.0 percent, giving restaurants the competitive advantage.

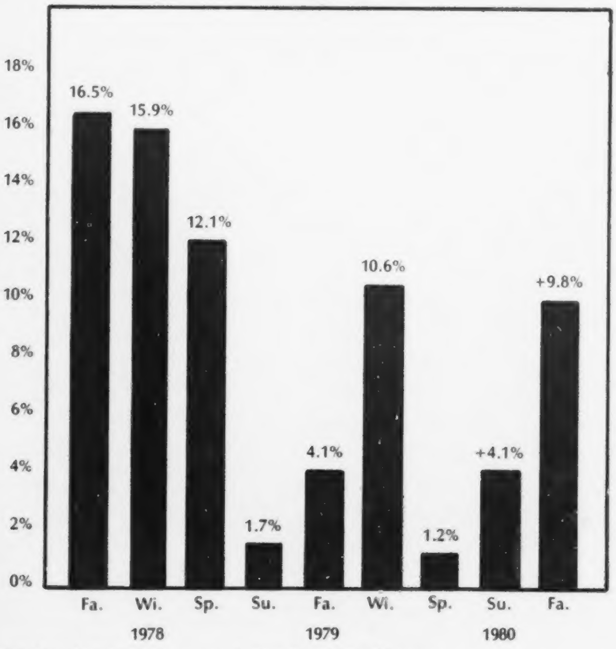
Most economists agree that the nation's economy is currently in the recovery stage, but growth will be slow, especially in the first half of 1981. NRA's forecast is consistent with those who project continuing increases in unemployment and inflation as measured by the Consumer Price Index. Real disposable income is estimated to increase 1.5 percent in 1981 after falling slightly in 1980. In light of this, NRA predicts modest improvement for 1981 for commercial restaurants (eating places), with a real sales (adjusted for inflation) increase of 0.6 percent. (See December 1980 *Foodservice Trends*)

More Families Are Eating Out

Families returned to the eating out market in the Fall Quarter. Family reach (the number of families eating out) increased 2.5 percent from the year-earlier quarter and was a major contributor to the Fall Quarter's traffic advance. Perhaps a lessening of inflationary pressures as well as increases in real disposable income provided more consumers with the opportunity to eat out than in previous periods.

Visit frequency, the number of times each restaurant patron family goes to a restaurant, fell slightly in the Fall Quarter. The one percent decline from the year earlier period, however, is considerably less than those experienced in the two previous quarters. Visit frequency has been falling since the 1979 Winter Quarter when the worst decline was experienced. The degree of decrease has lessened during each subsequent quarter, and considerable improvement can be seen when comparing the Fall Quarter's one percent decline with the previous quarter's drop of 5.4 percent.

Percent Change in Quarterly CREST Sales (Fall '78-Fall '80)



Sales based on total U.S.; average for 2 week period each quarter.

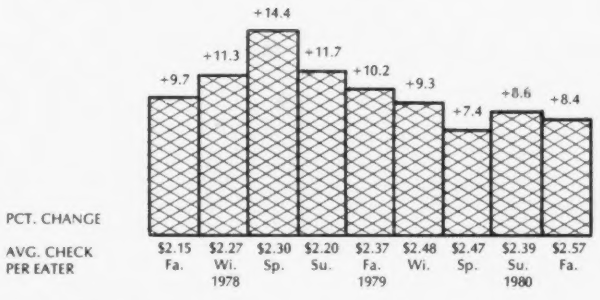
SOURCE: CREST.

Industry Sales Increase 9.8 Percent in Fall Quarter

Restaurant industry sales increased 9.8 percent in the Fall Quarter over the same period a year ago, according to recent CREST information. This is a substantial improvement over the Summer Quarter's 4.1 percent increase, indicating a strengthening in the industry's health. Contributing to the improved performance was the 1.4 percent increase in traffic as well as the 8.4 percent increase in per person check size.

The average expenditure for a restaurant meal or snack (Eater Check Size) increased 8.4 percent in the Fall Quarter. This is slightly smaller than the Summer Quarter's increase of 8.6 percent and is primarily the result of moderation in menu price increases. In addition, this reduction in eater check size may also be due to patron changes in the number and type of menu items ordered.

Average Per Person Check* (Fall '78-Fall '80)



*Based on average two week period.

SOURCE: CREST.

Promotional Activity Reaches New High

The Fall Quarter CREST data indicate that restaurant operators are continuing to use promotions as a means of increasing customer traffic, with 9.0 percent of the meal occasions utilizing a promotion. Supper was the meal with the highest usage, a record 13.7 percent of the occasions involved a promotion.

A look at promotion usage by restaurant type shows that fast food, atmosphere/specialty and family restaurants have the highest percentage of use. Fast food restaurants experienced a considerable increase, rising to 11.8 percent of the occasions in the Fall Quarter, up from 9.8 percent in the previous quarter (Summer). At atmosphere/specialty restaurants and family restaurants promotions were utilized at 9.0 percent and 8.8 percent of the occasions respectively.

Percent of Occasions Utilizing a Promotion

	Winter (D-F)	Spring (M-M)	Summer (J-A)	Fall (S-N)
1978	7.4%	7.3%	5.6%	7.3%
1979	7.7%	6.7%	6.4%	7.7%
1980	8.7%	8.7%	7.8%	9.0%

SOURCE: CREST

Traffic Continues to Increase at Family and Fast Food Restaurants

Customer counts remained strong at family restaurants in the most recent quarter, with traffic up 5.3 percent over the year earlier period. Traffic at this restaurant type was helped by more modest price increases. The average per person check rose only 7.1 percent versus 8.4 percent for all restaurants. In addition, family restaurants were able to attract more families to their establishments.

Traffic at fast food restaurants increased 3.5 percent in the Fall Quarter compared to a much smaller advance of about one percent in the previous quarter. Two factors contributed to this improved performance, more moderate increases in menu prices and increased family reach. First, the per person check size advanced 8.4 percent in the Fall Quarter compared to a much larger 9.6 percent increase experienced during the previous quarter. Second, more families were eating out at fast food restaurants this quarter than in the same period last year.

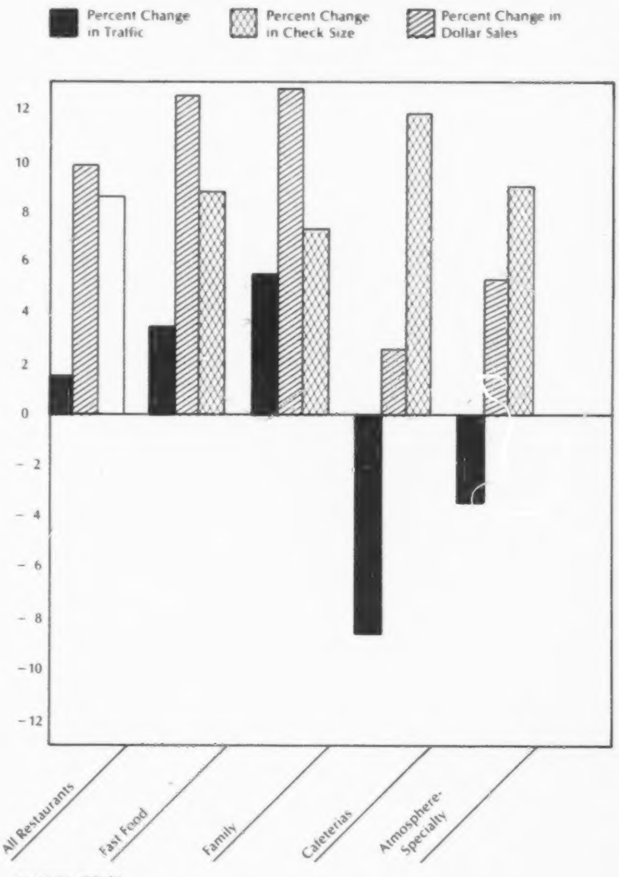
Traffic increased 2.3 percent at coffee shops in the Fall Quarter, reversing the trend of traffic declines in previous quarters. Menu prices rose 8.1 percent for this restaurant type in the Fall Quarter compared to an 8.4 percent increase for all restaurants. This increase is considerably lower than those experienced in recent quarters and probably contributed to the improvement in traffic. Families also increased their frequency of eating out at coffee shops in the Fall Quarter.

Customer counts continued to decline at both cafeterias and atmosphere/specialty restaurants, but the rate of decline has lessened. Lower menu price increases, an increase in the number of times patron families visited atmosphere/specialty restaurants and increased promotional activity contributed to this restaurant type's better performance.

Supper, Snack and Breakfast Traffic Increase

Supper traffic increased nearly 3 percent in this most recent CREST quarter, representing the largest traffic gain for any of the four meal periods and replacing breakfast as the leader in traffic advances. A slight increase in visit frequency as well as more families eating out for the evening meal contributed to the rise in supper traffic counts. In addition, increased promotion usage for this meal also helped boost customer counts.

Fall Quarter Performance by Selected Restaurant Type



SOURCE: CREST

Customer traffic for snacks was up 1.7 percent in the Fall Quarter from the same period a year ago. Snack traffic has suffered the worst declines of any meal period since the Spring Quarter of 1979, and this quarter recovery may bode well for the industry since snacking is the most discretionary meal. At snacking occasions, however, the average per person check size was up 11.3 percent from the 1979 Fall Quarter.

Breakfast traffic counts increased for the fifth consecutive quarter. Traffic was up nearly 2 percent in the Fall Quarter from the same period a year earlier, compared to substantially larger increases in the previous quarters of 7 percent and 5 percent. The larger increase in the average per person check size of 11.6 percent may have diminished the consumer's perception of breakfast as a good value. The frequency of eating out for the morning meal this quarter fell slightly from the year earlier, also contributing to the softness in customer traffic.

Lunch traffic fell 1.2 percent in the Fall Quarter from the same period a year ago, a considerable improvement, however, over the previous two quarters when traffic fell 6 percent and 4 percent respectively. The average unemployment rate in the 1980 Fall Quarter was 7.5 percent compared to a much lower average of 5.7 percent for the same quarter last year. This, along with workers either "brown bagging" or skipping the noon day meal, could account for the poor performance of lunch in recent quarters. Lunch prices are still rising faster than overall restaurant prices, but the gap is narrowing. In the Fall Quarter total restaurant prices rose 8.4 percent compared with a slightly higher 8.6 percent increase in lunch prices.

WHAT IS CREST

Launched in September 1975, The CREST (Consumer Reports on Eating Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study does track chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor. Readers wishing more information on how to participate in the CREST study should contact NPD Research, 9801 West Higgins Road, Rosemont, Illinois 60018.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

SPENDING ON FOOD AWAY FROM HOME BY THE RICH AND THE POOR REVEALED IN NEW SURVEY

Restaurant industry research studies such as those conducted by CREST, Roper, Gallup and the Bureau of Labor Statistics have indicated that upper income families spend considerably more on food away from home than lower income families. In addition, NRA's analysis of Consumer Expenditure Survey data from 1972-73 and 1960-61 revealed that as average family incomes rise to higher brackets, the per capita absolute amount spent for food away from home increases at an accelerated pace. Now a survey from the Department of Agriculture indicates that in recent years expenditures for food away from home may have increased more rapidly among lower income groups than for those at the upper end of the income scale.

In 1979 the Economics, Statistics and Cooperative Services (ESCS) division of the U.S. Department of Agriculture conducted a survey of 2,000 families to determine the relationship between income and overall food expenditures. ESCS analysts then compared the results of their study to the *1972-73 Consumer Expenditure Survey* of 45,000 families conducted by the Bureau of Labor Statistics. The families in both studies were divided into five income groups, and data were compiled on expenditures for both food at home and food away from home for each income segment. Some of the conclusions reached from the ESCS analysis may be of particular interest to restaurant operators.

Food Expenditures By Income Group

Family Income Group	Average Income		Family Size		Per Capita at Home Food Expenditures		Per Capita Away from Home Food Expenditures	
	1972-73	1979	1973	1973	1973	1979	1973	1979
Lowest	$ 2,413	$ 4,925	1.6	2.0	$445	$622	$105	$238
Lower Middle	6,072	9,511	2.4	2.5	425	625	130	213
Middle	10,178	13,868	3.0	2.9	427	597	163	202
Upper Middle	14,791	19,948	3.5	3.1	438	647	184	298
Highest	25,860	33,785	3.8	3.4	492	648	270	316
Average	$11,419	$16,412	2.8	2.8	$461	$629	$184	$259

SOURCES: *1972-73 Consumer Expenditures Survey*, Bureau of Labor Statistics; Economics, Statistics and Cooperative Services, U.S. Department of Agriculture.

Income Has More Effect on Spending for Food Away From Home

We have summarized the food expenditures for each of the five income groups in the accompanying table, and readers will note that information from both government surveys is given. Although little disparity exists among the five income categories with regard to at home food spending in both 1972-73 and 1979, this is not true for food away from home spending. In the 1972-73 survey, the lowest income group spent only $105 annually on a per capita basis for meals outside the home compared to $270 for the highest income group. Although the gap between "rich" and "poor" still existed in the 1979 ESCS study, it had narrowed considerably, $238 for the lowest income group versus $311 for the highest income group.

If we look at these food way from home expenditures on a total family basis as shown in the accompanying

Total Family Away From Home Expenditures

Family Income Group	Expenditures 1973	Expenditures 1979	Percent Change
Lowest	$ 168	$ 476	183.3%
Lower Middle	312	533	70.8%
Middle	489	586	19.8%
Upper Middle	644	924	43.5%
Highest	1,026	1,074	4.7%
Average	$ 515	$ 725	40.8%

SOURCES: *1972-73 Consumer Expenditure Survey*, Bureau of Labor Statistics; Economics, Statistics and Cooperative Services, U.S. Department of Agriculture.

table, we see that during the six year period lower income families increased their dining out expenditures at a considerably faster pace than did upper income families. Spending for food away from home among families in the lowest income segment advanced from $168 in 1973 to $476 in 1979, an increase of 183.3 percent. On the other hand, spending for meals outside the home for families in the highest income segment rose from $1,026 in 1973 to only $1,074 in 1979, a gain of less than 5 percent. Although these upper income families outspent their lower income counterparts by a ratio of more than two to one, their increase in spending lagged well behind inflation.

Caution Urged in Interpreting These Results

The results of this survey indicate that lower income families may provide greater growth opportunities for the restaurant industry than do upper income families. Analysis of these two government studies shows that income and food away from home expenditures for "poor" families have risen at a very fast pace between 1973 and 1979. On the other hand, increases in income and spending for meals outside the home for "rich" households have not kept pace with inflation during the same time period.

USDA's Economics, Statistics and Cooperative Services division and the National Restaurant Association urge operators and researchers to use caution when interpreting these startling survey results. One of the primary reasons for suggesting this is because sampling techniques for the two government studies were different. The sample composition for the ESCS survey consisted of 2,000 families who were surveyed during the course of a one year period on a quarterly basis for a two week period. The BLS study covered 45,000 families and was conducted over a two year period. ESCS had difficulty in obtaining enough lower income families willing to participate in its study and believes that many of those who did participate had incomes above this category's average of $4,925. As a result, it is felt that income and food away from home expenditures are overstated for the lowest income segment, making exact comparisons between the two research projects difficult.

Another reason for caution in interpreting these results is that family demographic and lifestyle changes were not taken into consideration. For example, the two studies do not address such issues as the aging of the population, children leaving the "family nest" and forming their own households, changes in family eating habits and the growing sophistication of today's restaurant patron.

Before restaurateurs begin to re-target their advertising and promotional activities based on the limited conclusions of this ESCS research study further evidence is needed. In addition, information concerning the impact of many social and demographic changes on consumer eating out behavior and attitudes should be reviewed. Specifically, operators and researchers may want to investigate some or all of the following and determine how they can influence eating out behavior and patron expectations.

- —Number of working women and their movement into higher paying and more demanding occupations.
- —Use and amount of leisure time.
- —Frequency of eating out by families and singles.
- —Family life cycle, i.e., young couple with no children, couple with children under 13, etc.
- —Growing sophistication of the restaurant patron (changing taste trends and type of restaurant visited).
- —Overall changes in consumer attitudes and behavior.

The National Restaurant Association is able to offer information on these topics through its monthly publication *Foodservice Trends* as well as through its Information Resource Center and Education Materials Center.

Industry Index

RETAIL SALES (000,000)	**Dec. 1980**	**Percent Change vs. Year Ago**	**Year to Date Sales Dec. 1980**	**Percent Change vs. Year Ago**
All Retailers	$942,462	+ 6.4%	$942,462	+ 6.4%
Eating & Drinking Places	$ 80,840	+ 7.6%	$ 80,840	+ 7.6%
Food Stores	$211,962	+10.8%	$211,962	+10.8%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (Dec.)	**Percent Change vs. Year Ago**	**Percent Change 1979 to Date vs. Year Ago**
Food at Home	+10.6%	+ 8.0%
Food Away from Home	+ 9.6%	+ 9.9%
All Items Less Food	+12.8%	+14.6%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	**Nov. 1980**	**Percent Change vs. Year Ago**	**Year to Date Sales**	**Percent Change vs. Year Ago**
Eating Place Sales	$5,771	+3.2%	$65,564	+7.8%

	Percent Change vs. Year Ago	**Percent Change Year to Date vs. Year Ago**
Real Eating Place Sales (Nov.)	−6.4%	−2.2%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

1980 INDEX TO FOODSERVICE TRENDS ARTICLES

BEER: Beer, Wine And Soft Drink Consumption Continues To Increase (Supplement, September 26, 1980).

CONSUMER BEHAVIOR: Economic Pressures of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May); *Roper Reports:* Decline In Eating Out (June); *Roper Reports:* Changes In Eating Out Behavior (November). Also see **CREST.**

CONSUMPTION PATTERNS: Wine Consumption In Restaurants Posts Continued Expansion (January); *Roper Reports:* Consumers Aware Of Where They Err In Their Diets (February); Beer, Wine and Soft Drink Consumption Continues To Increase (Supplement, September 26, 1980).

CREST: Wine Consumption In Restaurants Posts Continued Expansion (January); Single Households Seen As Being Increasingly Important To The Restaurant Industry (February); Traffic Declines Continue In Fall Quarter (February); Economic Pressures of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May); Customer Traffic Increases In Winter Quarter (May); Customer Traffic Drops In Spring Quarter (August/September); Customer Traffic Declines Shown By CREST (November); Customer Traffic Declines 4% In Summer Quarter (November).

DEMOGRAPHICS: Single Households Seen As Being Increasingly Important To The Restaurant Industry (February); Economic Pressures Of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May).

EATING PLACES: NRA Makes Five Year Growth Projection For The Foodservice Industry (February); NRA Presents Revised 1980 Forecast (June); The Foodservice Industry: 1978 (June); Retail Census Update: Trend Toward Multiunit Operation (July); Foodservice Industry Sales: $122.7 Billion In 1981 (December); NRA Presents First Restaurant Sales Forecast For States And Regions (December); Industry Sales Top $111 Billion In 1980 (December). Also see **RETAIL CENSUS.**

ECONOMY: Northeast and Midwest To Be Most Effected By Recession (January); Economic Pressures Of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May); The Recession Has Finally Begun (May); Rising Unemployment Affecting All Regions (July); Slower Rise In Personal Income Shown In First Quarter (July); The Recession: Region By Region (August/September); Foodservice Industry Sales: $122.7 Billion In 1981 (December).

FAILURES: Eating And Drinking Place Failures Increase In 1979 (July).

FAST FOOD: Franchise Restaurant Sales Top $20 Billion In 1978 (March/April); Economic Pressures Of Spring-Summer '79 Caused Changes In Restaurant Visit Behavior (March/April); Consumers Showed Sensitivity To Restaurant Prices During Spring/Summer '79 (May); Foodservice Industry Sales: $122.7 Billion In 1981 (December); Industry Sales Top $111 Billion In 1980 (December). Also see **CREST** and **RETAIL CENSUS.**

FOOD COST INDEX: NRA's Food Cost Index Up 2.1% In November (January); NRA's Food Cost Index Up 12.2% In 1979 (February). Also see **WHOLESALE FOOD PRICES AND SUPPLIES.**

FOODSERVICE INDUSTRY: NRA Makes Five Year Growth Projection For The Foodservice Industry (February); NRA Presents Revised 1980 Forecast (June); The Foodservice Industry: 1978 (June); Foodservice Industry Sales: $122.7 Billion In 1981 (December); Industry Sales Top $111 Billion In 1980 (December).

GALLUP: Rising Concern Over Value Of Restaurant Meals (March/April); Value Perception of Restaurant Meals Is Rising (Supplement, October 24, 1980).

MENU PRICES: NRA Presents Revised 1980 Forecast (June); The Foodservice Industry: 1978 (June); Sunbelt Cities Post Best Real Sales Gains (August/September); Foodservice Industry Sales: $122.7 Billion In 1981 (December); Industry Sales Top $111 Billion In 1980 (December).

MINIMUM WAGE: Youths Willing To Work At Subminimum Wage (May).

MULTI-UNIT OPERATIONS; Retail Census Update: Trend Toward Multi-unit Operation (July).

NEW PUBLICATIONS: NRA Offers Updated "Franchise Restaurants: A Statistical Appendix" (March/April); NRA Publishes New Operating Ratio Report (May).

NUTRITION: Menu Content Influenced By Consumer Health Concerns And Interest In Nutrition (January); *Roper Reports:* Consumers Aware Of Where They Err In Their Diets (February).

OPERATOR PANEL: Restaurant Operator Panel To Be Established (February); New Restaurant Operators Panel Publishes Initial Results (November).

PROJECTIONS: NRA Makes Five Year Growth Projection For The Foodservice Industry (February); Foodservice Industry Sales: $122.7 Billion In 1981 (December); NRA Presents First Restaurant Sales Forecast For States And Regions (December).

REGIONS: Northeast And Midwest To Be Most Effected By Recession (January); Rising Unemployment Affecting All Regions (July); Slower Rise In Personal Income Shown In First Quarter (July); The Recession: Region By Region (August/September); Sunbelt Cities Post Best Real Sales Gains (August/September); NRA Presents First Restaurant Sales Forecast For States And Regions (December).

RETAIL CENSUS: 1977 Retail Census Update (January); Retail Census Update: Trend Toward Multiunit Operation (July); Sunbelt Cities Post Best Real Sales Gain (August/September).

ROPER REPORTS: *Roper Reports:* Majority of Restaurant Patrons Report They Receive Good Service (January); *Roper Reports:* Consumers Aware Of Where They Err In Their Diets (February); *Roper Reports:* Decline In Eating Out (June); *Roper Reports:* Vacation Intentions Remain At Low Level (July); *Roper Reports:* Changes In Eating Out Bheavior (November).

SOFT DRINKS: Beer, Wine and Soft Drink Consumption Continues To Increase (Supplement, September 26, 1980).

SUGAR: Sugar Prices Moving Upward (November).

VACATIONS: *Roper Reports:* Vacation Intentions Remain At Low Level (July).

VALUE PERCEPTION OF MEALS AWAY FROM HOME: See **GALLUP.**

WHOLESALE FOOD PRICES AND SUPPLIES: NRA's Food Cost Index Up 2.1% In November (January); NRA's Food Cost Index Up 12.2% In 1979 (February); Wholesale Outlook: Red Meats and Poultry (May); Outlook For Wholesale Food Prices And Supplies (July); The Heat Wave: It's Impact On Meat Prices And Supplies (August/September); Outlook: Wholesale Meat Prices And Supplies (Supplement, October 24, 1980); Sugar Prices Moving Upward (November).

WINE: Wine Consumption In Restaurants Posts Continued Expansion (January); Beer, Wine And Soft Drink Consumption Continues To Increase (Supplement, September 26, 1980).

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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

A Supplement to the Washington Report
March 13, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

NRA PRESENTS 1979 FRANCHISE RESTAURANT REPORT

Highlights

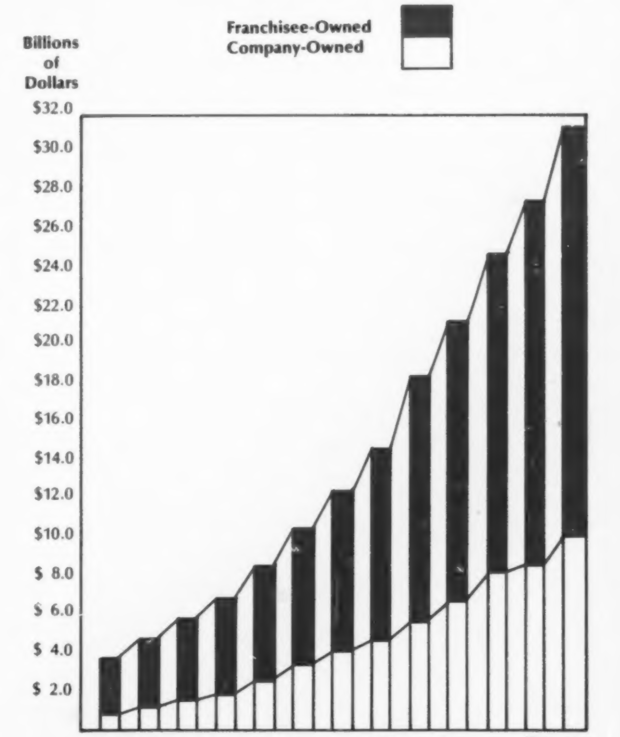
- **Franchise restaurant sales in 1979 were up 17 percent and totaled $24.8 billion, reflecting strong growth for all franchise categories.**
- **Thirty-three new companies began franchising in 1979 with the majority of new entrants engaging in the pizza and steak/full menu business.**
- **Franchise restaurant establishments boosted their share of eating place sales to 37 percent in 1979 from 34.6 percent in 1978.**
- **Restaurant franchise operators predict a sales increase of 11.9 percent in 1980 and expect stronger growth of 13.6 percent for 1981.**
- **Three franchising firms broke into the 1,001 + unit category in 1979, bringing the total number of such franchisors to fourteen.**
- **Seafood franchise restaurants posted the highest increase in sales of any category in 1979. Their 37 percent advance follows a 2.6 percent decline in 1978.**

FRANCHISE RESTAURANT SALES TOTAL $25 BILLION IN 1979

Franchise restaurants recorded sales of $24.8 billion in 1979, according to a recently released Department of Commerce Report. This report, entitled *Franchising in the Economy, 1979-1981,* is published annually and provides an important overview of the franchise restaurant business. It encompasses data on 399 franchise restaurant companies which operate 58,936 company-owned and franchisee-owned units. This recent government study reported that in 1979, 33 new companies began franchising, but 22 firms either abandoned franchising or went out of business, resulting in a net gain of 11 firms. Franchise restaurants are a very important segment of the commercial restaurant market. Both company-owned and franchisee units accounted for 37 percent of eating place sales in 1979, up from 34.6 percent in 1978, and 22.8 percent in 1972.

Sales for franchise restaurant firms rose 17.4 percent in 1979, with all categories reporting an increase in sales. In comparison, sales advanced 16.1 percent in the prior year, and two restaurant categories, seafood and chicken, reported a decline in sales. Estimates for 1980 and 1981 indicate that franchise operators expect sales to continue to rise, but at a slower pace than in the past, probably reflecting the effects of the 1980 recession and slow recovery in 1981. Respondents predict a sales increase of 11.9 percent for 1980 and 13.6 percent for 1981. Readers should note that these estimates are representative of the 399 firms in the most recent Commerce Department study and do not include any new or established firms which may have decided to begin franchising in 1980 and any present

Franchise Restaurant Sales 1969-1981



*1980 and 1981 sales estimated by respondents.
SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising in The Economy 1979-1981.*

firms going out of business or abandoning the franchise system.

Sales gains for company-owned units outpaced those for franchisee-owned units for the second year, although in the 1978 survey respondents had predicted a reversal of this trend. Sales of company-owned units increased 19.9 percent, to a total of $8.1 billion, while sales of franchisee-owned units advanced 16.2 percent for total sales of $16.6 billion. Projections for 1980 and 1981 indicate that franchisee-owned unit sales will rise at a faster rate than company-owned units.

Franchisors' forecast for unit growth for 1980 and 1981 is consistent with their sales predictions. They estimate the number of units will increase 6.9 percent in 1980, but will increase at a faster rate of 8.8 percent in 1981 as the economy improves.

Number of Large Firms Totals Fourteen

The largest franchising firms continue to occupy a prominent place in the franchise restaurant industry. In 1979, fourteen companies had more than 1,000 units each, an increase of three from the previous year and twice the total number of firms in this category in 1976. These large firms continue to move-up from the "second-tier", while the number of firms with 501-1000 units has fallen from 11 in 1978 to 8 in 1979.

Sales for these large, multi-unit franchisors totaled $14.4 billion or 58.2 percent of total franchise restaurant sales in 1979. In addition they account for 55 percent of total franchise restaurant units, up from 50.2 percent in 1978.

The majority of franchise firms, however, are relatively small. In 1979, 70.2 percent of the restaurant franchise firms had fewer than 50 outlets but accounted for only 7.3 percent of total franchise restaurant sales.

NRA FOODSERVICE TRENDS

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Franchisors Continue Customer Orientation

Franchise restaurant firms recognize the importance of offering customer amenities such as waiter/waitress service or drive-in facilities and self-service in order to compete with other restaurants. While most firms offer either one type of service or another, 20 firms offer both types, but one clearly dominates, as shown in the accompanying table.

Two hundred and fifty-two franchise firms offer self-service or drive-in facilities. This type of service is found at the more traditional "fast food" chains offering chicken, hamburgers, fish and sandwiches. One hundred and forty-seven franchise firms offered waiter/waitress service in 1979 compared with 135 in 1978. The largest number of firms offering this type of service fell into the steak/full menu category with 74 firms offering waiter/waitress service in 1979 compared with 68 in the previous year. Both types of service are common at pizza franchise outlets with 42 firms offering predominately self-service or drive-in facilities and 31 firms offering waiter/waitress service compared with 38 and 28 respectively in the year earlier. Pancake franchise restaurants, on the other hand, offer only waiter/waitress service.

Principal Type of Service Provided By Franchise Restaurant Chains, 1978-1979

Major Activity	Self-Service, Drive-In and Drive-Thru 1978	Self-Service, Drive-In and Drive-Thru 1979	Waiter or Waitress Service 1978	Waiter or Waitress Service 1979
Chicken	30	30	1	2
Hamburgers, Etc.	107	104	10	8
Pizza	38	42	28	31
Mexican	20	18	9	10
Seafood	9	8	2	3
Pancakes, Waffles	0	0	15	16
Steak, Full Menu	18	20	68	74
Sandwich and Other	31	30	2	3
Total	253	252	135	147

NOTE: Represents primary type of service offered, and expressed as the number of firms offering the service.
SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising in the Economy, 1979-1981.*

Hamburger Firms Continue to Dominate

"Hamburger, franks and roast beef, etc." firms, which include several of the industry giants, continue to dominate the franchise restaurant sector of the industry. They accounted for over half of franchise restaurant sales and 46 percent of the units in 1979. In addition, the $12.7 billion in sales for these franchise firms represents 19 percent of total eating place sales, further indicating their importance to the foodservice industry.

Sales at hamburger, franks and roast beef establishments increased 17.3 percent in 1979, compared with the year earlier advance of 19.4 percent. In the last survey conducted in mid-1979 hamburger franchise firms predicted a larger increase of 19.3 percent. Franchisors most likely did not anticipate the gasoline shortage which occurred in the peak, summer quarter of 1979 as well as rising food costs. This caused a considerable decline in customer traffic for all restaurants of 9 percent that summer resulting in slower sales growth. Company-owned unit sales increased 18.4 percent for a total of $3 billion. Franchisee-owned unit sales grew somewhat slower at 16.9 percent totaling $9.6 billion.

Hamburger franchise operators predict sales will rise at more moderate rates for 1980 and 1981 primarily due to the 1980 recession. Growth for 1980 and 1981 is projected at 14.3 percent and 14.7 percent, respectively.

Franchise Restaurant Sales By Restaurant Type 1978-1981

Restaurant Category	Total Sales (Millions) 1978	1979	1980*	1981*
Chicken	$ 2,034	$ 2,258	$2,453	$2,697
Hamburger, Etc.	10,863	12,740	14,565	16,701
Pizza	1,735	2,142	2,354	2,735
Mexican	602	695	751	823
Seafood	564	774	853	957
Pancakes, Waffles	601	726	807	918
Steak, Full Menu	4,532	5,225	5,681	6,332
Sandwich and Other	170	206	251	323
Total	$21,101	$24,766	$27,715	$31,486

*1980 and 1981 Sales Estimated by Respondents.

Source: U.S. Department of Commerce, Service Industries Division, *Franchising in the Economy, 1979-1981.*

Pizza Franchise Sales Increase 23 Percent

Pizza franchise firms increased by seven in 1979, bringing the total number of such firms to 73. Sales totaled $2.1 billion, a 23.4 percent gain over 1978. One reason sales for pizza restaurants have remained strong is that consumers have increased the number of times they go to a pizza restaurant. The results of a CREST Study conducted in 1979 for the NRA show that traffic increases for pizza restaurants were primarily the result of shifting gains by patrons from other restaurant categories such as chicken, fish and budget steak. (See March/April 1980 *Foodservice Trends.*)

Pizza franchise operators predict sales to increase at a slower rate of 9.9 percent in 1980, but estimates for 1981 are for a much stronger 16.1 percent advance.

Mexican Franchise Sales Total $695 Million

Sales totaled $695 million for Mexican franchise restaurants in 1979, up 15 percent from the year earlier and nearly twice the 7.6 percent gain franchisors had predicted for 1979. The increasing popularity of this restaurant type probably contributed to the better than expected performance. Franchisors expect slower growth of 8 percent and 9.6 percent for 1980 and 1981 respectively.

The number of Mexican franchise firms totaled 28 in 1979, down from 29 in 1978. This decline could be due either to mergers or franchisors going out of business or abandoning the franchising system. In spite of this, the number of units totaled 2,477, an increase of 6.4 percent from the year earlier, and unit growth is predicted to be somewhat stronger in 1980 and 1981.

NRA Offers Updated "Franchise Restaurants a Statistical Appendix"

For the fourth consecutive year the National Restaurant Association is offering its readers a statistical appendix to the annual report on franchise restaurants. The information summarized in this appendix was obtained from the Department of Commerce publication, *Franchising In The Economy, 1979-1981.*

This new edition includes historical sales and establishment data, revisions for 1979 and estimates for 1980 and 1981. Readers may obtain a copy of *Franchise Restaurants: A Statistical Appendix* for $5.00 from NRA's Educational Materials Center, 311 First Street, N.W., Washington, D.C. 20001 or call toll free, 800/424-5156, and ask for the Educational Materials Center. Specify order no. MG207 when ordering.

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Chicken Franchise Sales Increase

Chicken franchise sales increased 11 percent in 1979 following a decline of 2.6 percent in 1978. Franchisee-owned unit sales advanced 10 percent, a substantial gain over the 9.2 percent decrease in the prior year. Company-owned unit sales growth continued at a strong pace, up 13 percent from the year earlier. Franchisors predict that company-owned unit sales will continue to rise at a faster rate than franchisee-owned units for 1980 and 1981.

Chicken franchise restaurants totaled 7,075, a gain of 5.5 percent from the prior year, and franchise operators predict stronger unit growth for 1980 and 1981 with increases of 6.6 percent and 8.3 percent respectively.

Seafood Franchises Post Strongest Sales Gain

Although the number of seafood franchise firms remained unchanged at 11 between 1978 and 1979, sales at seafood restaurants increased 37 percent in the one year period. This is a significant improvement over 1978's sales decline of 2.6 percent. Sales in 1979 were strong for both company-owned and franchisee-owned units with gains of 46.7 percent and 31 percent respectively. Respondents forecast considerably more moderate sales growth of 10 percent in 1980 and 12 percent in 1981.

The eleven seafood franchise firms had a total of 2,383 establishments in 1979, an increase of 3.7 percent from the year earlier. Company-owned units grew at a faster rate than franchisee-owned units, 7.3 percent versus 1.4 percent. This trend is expected to continue during the next two years.

Steak/Full Menu Franchise Firms Increase by Eight

The number of firms engaging in steak/full menu franchising totaled 94 in 1979, an increase of eight from the previous year. This category has experienced considerable growth in the past several years with the number of firms rising by 7 in 1978, 3 in 1977 and 9 in 1976. Sales for these firms slowed in1979, advancing 15.3 percent versus the 18.5 percent rise in 1978. Operators forecast sales to rise at a slower 8.1 percent pace in 1980 and 11.4 percent in 1981.

Outlets in this category increased 7.1 percent in 1979, for a total of 8,487. The number of establishments is expected to increase 6 percent in 1980; however, estimates for 1981 are for somewhat faster growth of 7.6 percent.

Pancake Franchise Sales Total $726 Million

Pancake franchise firms reported a strong sales gain of nearly 21 percent in 1979 compared with the 9 percent advance in the prior year. Sales are estimated to increase 11.0 percent in 1980 and 13.8 percent in 1981. The number of establishments totaled 1,600 in 1979 for the 16 franchise firms. Respondents estimate the number of units will increase 7.5 percent in 1980 and 9.6 percent in 1981.

Sandwich Franchise Sales Continue Strong

"Sandwich and other" franchise restaurants posted a sales gain of 21.3 percent in 1979, considerably slower than the year earlier's 35 percent advance. Sales are estimated to increase 22 percent in 1980 and 29 percent in 1981.

The 33 franchise firms had a total of 1,197 establishments in 1979. Units are forecast to increase 14.5 percent in 1980 and 21 percent in 1981.

Franchise Restaurant Establishments by Restaurant Type, 1978-1981

	Number of Total Establishments			
Restaurant Category	**1978**	**1979**	**1980***	**1981***
Chicken	6,708	7,075	7,545	8,147
Hamburger, Etc.	26,038	27,310	29,148	31,382
Pizza	7,542	8,407	9,029	10,102
Mexican	2,329	2,477	2,668	2,933
Seafood	2,297	2,383	2,531	2,745
Pancakes, Waffles	1,441	1,600	1,720	1,886
Steak, Full Menu	7,294	8,487	8,989	9,672
Sandwich and Other	1,033	1,197	1,371	1,664
Total	55,312	58,936	63,001	68,558

*1980 and 1981 estimated by respondents.

SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising In The Economy 1979-1981.*

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FOODSERVICE TRENDS

Volume 3, Number 2
April, 1981

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In This Issue:

- **NRA To Publish New *Foodservice Sales Panorama*.**
- **NRA Presents Its Twelfth Annual Report On The Size And Scope Of The Foodservice Industry.**

NRA TO PUBLISH NEW *FOODSERVICE SALES PANORAMA*

In response to frequent inquiries from members of the foodservice industry, its suppliers and investors who seek reliable information on the size, scope, economic environment and growth trends in the industry, the National Restaurant Association is publishing an updated and expanded version of *Foodservice Sales Panorama*. This new report contains foodservice industry sales, purchases and unit information for fifty-four separate industry sectors from 1970 through 1980. Data previously appearing in the first edition of *Foodservice Sales Panorama* and in *Foodservice Trends* have been revised where necessary so that all yearly figures are comparable and can be used as a time series.

This new publication also contains a wealth of historical information on many economic variables of particular interest to those in the foodservice industry. This information, presented in table form, draws together frequently requested data. Included are data on:

- NRA's Food Cost Index, 1970-1980
- All Foods, Producer Price Index, 1970-1980
- Consumer Price Index, 1970-1980
  - —All Items
  - —Food at Home (Grocery Stores)
  - —Food away from Home (Restaurants)
  - —All items less Food
- Retail Sales, 1970-1980
  - —Total Sales
  - —Eating and Drinking Place Sales
  - —Eating Place Sales
  - —Food Store Sales
- CREST Information, September '76-August '80
  - —Restaurant Traffic
  - —Restaurant Sales
  - —Per Person Check Size
- Employment and Earnings for Eating and Drinking Places, 1970-1980
- Retail Census Figures for Eating Places, 1972-1977
  - —Fifty states plus the District of Columbia
  - —Nine Regions
- Major Economic Indicators, 1970-1980; Current and Constant Dollars
  - —Gross National Product
  - —Personal Consumption Expenditures
  - —Personal Income
  - —Disposable Personal Income
  - —Savings Rate
  - —Unemployment Rate

Many of the tables will include monthly as well as yearly data and will also feature year-to-year percent changes and average annual growth rates during the 1970 to 1980 period.

The National Restaurant Association's new *Foodservice Sales Panorama* will be available for sale in late May. Interested persons wishing to order this publication should contact NRA's Educational Materials Center, 311 First Street, N.W., Washington, D.C. 20001 or call toll-free, 800-424-5156. Members should specify order number CS-020 and non-members should specify order number CS-021 when ordering *Foodservice Sales Panorama*.

THE FOODSERVICE INDUSTRY: 1979

Highlights

- **The foodservice industry was adversely affected by the gasoline crisis and inflationary pressures in 1979. The industry suffered a significant decline in traffic counts, with the normally peak summer months experiencing the worst declines.**
- **Consumers were faced with double digit inflation caused by higher energy and housing costs. As a result, they found they had less disposable income**

to spend on such discretionary items as eating out.

- Although nominal industry sales rose 10.1 percent in 1979, real sales (sales adjusted for inflation) declined by 0.5 percent. This was the first time real sales experienced a decline in the decade of the Seventies.
- Menu prices advanced at a slightly faster pace than grocery store food prices in 1979, 11.2 percent versus 10.8 percent.
- The proportion of the food dollar spent on meals outside the home declined from 38 percent in 1978 to 37 percent in 1979. Consumers, who were eating out less frequently, allocated a smaller proportion of their food dollars to dining out.
- Commercial foodservice sales reached $88.7 billion in 1979, an increase of 10.1 percent over 1978's total of $80.6 billion. Real sales, however, were down by 0.7 percent.
- In 1979, eating place sales advanced 10.2 percent over 1978 and totaled $62.3 billion, but real eating place sales were off by 0.7 percent.
- Limited menu (fast food) restaurants continued to be a prime sales gainer. Sales in current dollars were up 12.2 percent and real sales rose 1.1 percent in 1979.
- Some segments of the foodservice industry benefited from the disruption of gasoline supplies and resulting higher gasoline prices. These include intransit (airline) feeding as well as other transportation feeding and commercial and office building feeding.
- Institutional sales rose to $15.9 billion in 1979, an increase of 11.2 percent over 1978. In addition, real sales for this group were up 1.7 percent compared to an overall industry decline of 0.5 percent.
- Military Feeding sales declined from $624 million in 1978 to $555 million in 1979, primarily due to the fact that fewer meals and snacks were being purchased at officer and NCO clubs and at post exchanges.

The National Restaurant Association presents its twelfth annual report on the size, scope and growth of the foodservice industry. The main purposes of this annual study are to continue to define the extent of the foodservice industry and to construct a statistical framework for analysis of the relative importance and growth rates of the different market segments. Readers will also note that this year we are publishing a revised and expanded version of our *Foodservice Sales Panorama* which is described in the box on page one.

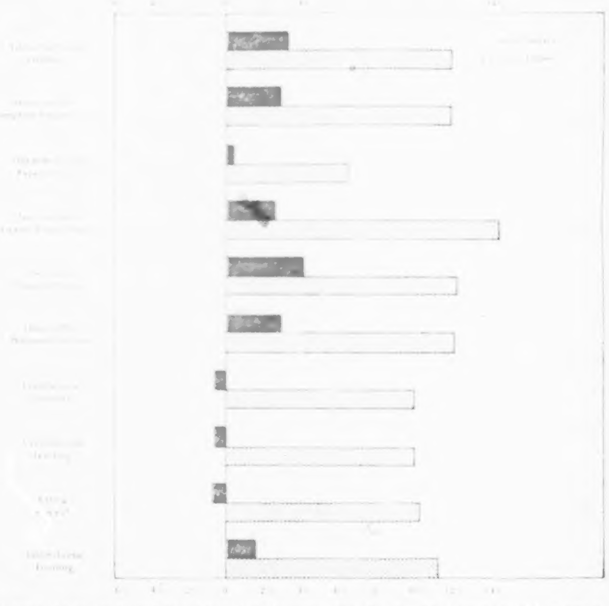
In the following sections of this report we will review the economic forces present in 1979 as well as various other factors which affected industry sales. We have included an analysis of the 1979 sales data as well as a comparison with 1978 sales performance. The statistical information and analysis presented here were prepared in consultation with the research firm, Malcolm M. Knapp, Inc.

Real Sales Declined in 1979

In 1979 the economy suffered from high inflation caused primarily by increased prices for energy-related items and housing. Overall consumer prices were up 11.3 percent, according to the Consumer Price Index. In addition, much of the country experienced a gasoline shortage beginning in May, and the entire nation felt the effects of rapid increases in world crude oil prices. The main impact of this "gas crisis" was felt from May through September, the peak eating out season for the restaurant industry.

As a result, real sales (sales adjusted for inflation) for the foodservice industry declined 0.5 percent with real sales in the commercial sector off 0.7 percent and military sales down 22 percent. These real sales losses were only partially offset by the 1.7 percent inflation-adjusted gain for the institutional segment. Foodservice experienced this significant decline while the major economic indicators enjoyed positive real growth in 1979. (See accompanying chart.)

Percent Change In Economic Indicators and Foodservice Industry Sales, 1978-79



*Eating Places Include Restaurants, Lunchrooms, Social Caterers, Commercial Cafeterias, Limited Menu Restaurants and Ice Cream and Frozen Custard Stands.

SOURCES: *Survey of Current Business*, December 1980; Malcolm M. Knapp, Inc.

A look at eating places, an important indicator of the overall health of the industry, shows that they were hard hit by the economic ills of 1979. Eating places account for approximately sixty percent of the industry's sales and include restaurants with table service, limited menu (fast food) restaurants, commercial cafeterias and social caterers. In 1979 sales for eating places in real terms (sales adjusted for inflation) declined by 0.7 percent, representing the first such real sales decrease during the decade of the Seventies. In comparison, real sales for eating places rose 2.2 percent in 1978 and 4.3 percent in 1977.

Real Gross National Product in 1979 was up 3.2 percent, while foodservice experienced its decline. In addition, as shown in the chart on the preceding page, real growth for other economic indicators such as nondurable goods expenditures and disposable personal income also outperformed that for eating places.

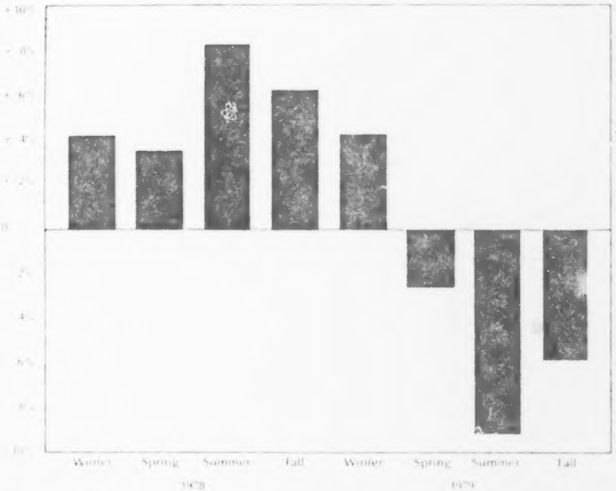
In 1979 the foodservice industry became aware of just how susceptible it is to inflationary pressures, especially when coupled with a gasoline shortage. Real sales declined and customer traffic, according to CREST, was down for the first time. As shown in the accompanying chart customer counts at restaurants first began their downward trend in the Spring and continued through the Summer and the Fall. This down trend was caused by several factors. Inflation, as measured by the Consumer Price Index, began rising at a double digit pace in March of 1979, putting a squeeze on consumer disposable income. In addition, in May many parts of the country experienced a shortfall of gasoline supplies, causing consumers to wait for an hour or longer for gas. Many gas stations shortened their hours and some even closed on the weekends. The OPEC nations doubled the price of their crude oil and overall retail prices of gasoline rose 35 percent in 1979. As a result of these factors, many persons who normally planned a family summer vacation by car simply canceled their plans and stayed home, which had a negative impact on most segments of the foodservice industry.

We have estimated that about 1.1 to 1.6 percentage points of sales growth for eating places was lost because of the gasoline situation, which affected nearly all the country. This means that the eating place segment would have experienced positive real growth in the range of 0.3 to 0.8 percent if we had not been subjected to the 1979 gasoline crisis.

Inflation was also a major negative factor for the foodservice industry in 1979. In March consumers first began experiencing double digit inflation. Rising costs for food, gasoline, electricity, natural gas and housing caused many persons to cut back substantially on expenditures for discretionary items, including eating out. The first drop in customer traffic at the nation's restaurants was apparently due to the pinch consumers felt from higher prices for many necessities in the early Spring. This was then exacerbated by the gasoline crisis experienced in the Summer. It was not until October that consumers began to pick up on their restaurant visit behavior, but in spite of this, traffic was still off from the same period in 1978.

Percent Change in Quarterly Customer Traffic

(Winter '78—Fall '79)



SOURCE: CREST

Menu Prices Rose Faster Than Grocery Prices in 1979

Restaurant menu prices rose at a slightly facter pace than grocery store food prices in 1979, 11.2 percent versus 10.8 percent, according to the Consumer Price Index. In comparison, food away from home prices advanced more slowly than food at home prices in 1978 (9.1 percent versus 10.6 percent). Higher prices for many commodities caused wholesale food prices for restaurants to rise 12.2 percent in 1979, considerably higher than the advance for overall wholesale food

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prices of 9.5 percent. As shown in the accompanying table, the increase in beef and veal prices together with rises in prices for fish and shellfish, eggs, dairy products and flour and cereal were primarily responsible for rising food costs for restaurants.

Wholesale Food Costs: 1979

Commodity	Percent Change 1977-1978	 1978-1979
Bakery Products	7.8%	10.0%
Flour and Cereal	13.5%	12.4%
Beef and Veal	28.4%	24.7%
Other Meats	16.7%	(2.8%)
Poultry and Eggs	8.1%	0.7%
Fish and Shellfish	6.4%	22.6%
Sugar and Sweets	6.6%	6.9%
Vegetables	6.0%	2.0%
Fruits and Juices	17.6%	8.7%
Beverages	(8.6%)	0.8%
Dairy Products	8.6%	12.1%
Fats and Oils	6.1%	6.4%
NRA, Food Cost Index	11.2%	12.2%
All Food, Producer Price Index	10.5%	9.5%

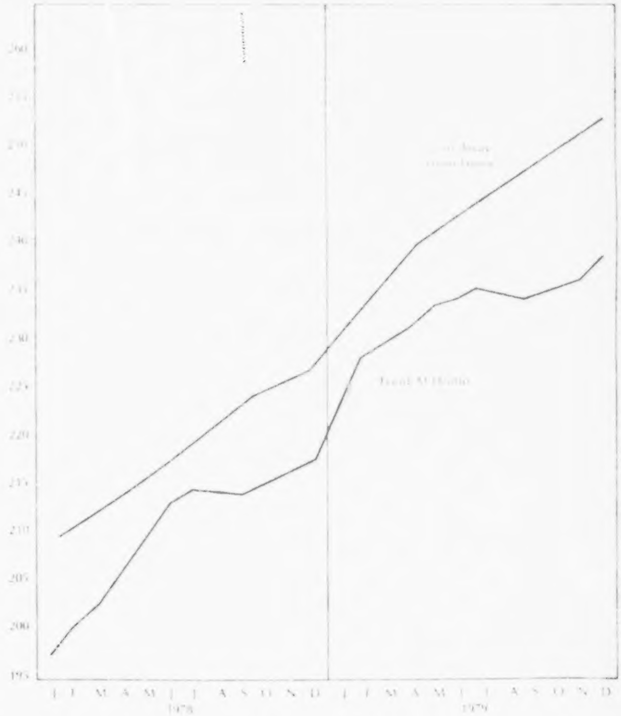
SOURCES: *Producer Price Index*, Bureau of Labor Statistics; National Restaurant Association

The comparison of real sales growth shows a similar story, with eating places registering a 0.7 percent decline, the industry as a whole down 0.5 percent and grocery store sales up 1.6 percent. This marks the first time in three years that consumers have not increased their real purchases from foodservice operations at a faster rate than from grocery stores.

The proportion of the food dollar spent away from home declined in 1979, interrupting the steady upward trend experienced in the Seventies. In 1979, consumers allocated about 37 percent of the food dollar to meals prepared outside the home, compared to 38 percent in 1978 and 37.5 percent in 1977.

We believe that part of the reason for this decline in the proportion of the food dollar spent on food away from home was due to the major revisions made by the Bureau of the Census in its 1977 "Merchandise Line" report. In addition, we have not included deli sales at grocery stores or vending machine soft drink and snack sales as part of our away from home market, and sales for these two segments totaled $6 billion in 1979. If we had included these sales in our estimates, the proportion of the consumer food dollar spent on meals and snacks outside the home in 1979 would have been larger.

Food Away From Home Versus Food At Home, 1978-1979



SOURCE: *Consumer Price Index*, Bureau of Labor Statistics

Commercial Feeding Sales Reach $88.7 Billion

Sales for Commercial Feeding establishments in 1979 totaled $88.7 billion and accounted for 84.3 percent of foodservice industry sales. Food and drink sales for this group were up 10.1 percent in 1979, slightly lower than the increase of 10.8 percent in the prior year. Real sales growth declined by 0.7 percent, however, compared to a gain of 1.5 percent in 1978 and larger increases of 3.0 percent in 1977 and 4.8 percent in 1976.

As shown in the table on pages 8 and 9, particularly outstanding sales gains in 1979 were recorded by in-transit (airline) feeding (20.2 percent), grocery stores (17.9 percent) gasoline service stations (15.1 percent) and contractors in commercial office buildings (13.5 percent). We believe sales growth for these sectors reflect their ability to take advantage of the gasoline crisis either by offering lower prices or convenient, one-stop shopping. In the following paragraphs we have briefly analyzed each segment of the Commercial Feeding Group.

Eating and Drinking Places. This, the largest of the Commercial Feeding Group, consists of restaurants, lunchrooms, limited menu (fast food) restaurants, commercial cafeterias, social caterers, ice cream and frozen custard stands and bars and taverns. Only those establishments with payroll are included in our figures. Sales for non-payroll eating and drinking places totaled $2.2 billion in 1979.

Food and drink sales for eating and drinking places were $69.5 billion in 1979, an increase of 9.9 percent from 1978. Since 1975 there has been a slowdown in the rate of sales growth for this sector of the industry, partially accountable to a slowdown in unit expansion and slower sales growth for some segments such as restaurants and lunchrooms and commercial cafeterias. In 1978, eating and drinking place sales rose 10.6 percent, while in 1977, 1976 and 1975 they advanced 11.1 percent, 13.7 percent and 13.3 percent, respectively.

Sales for eating places alone increased by 10.2 percent in 1979, rising from $56.5 billion in 1978 to $62.3 billion in 1979. This represents a slower rate of growth than that experienced in the previous four years of 11.4 percent (1978), 12.3 percent (1977), 14.9 percent (1976) and 14.8 percent (1975). Real sales growth for eating places declined by 0.7 percent, the first such decline registered during the Seventies. In comparison, real sales rose 2.2 percent in 1978 and 4.3 percent in 1977.

Limited menu restaurants, which include most fast food establishments, continue to be a prime sales gainer among eating and drinking places, although the rate of growth has slowed. In 1979 the growth rate was 12.2 percent, considerably below the gains of 15.1 percent in 1978, 17.6 percent in 1977 and 19.7 percent in 1976. The importance of this segment continues to grow, however, with limited menu establishments now accounting for 40 percent of eating place sales and 23.7 percent of all foodservice sales. Limited menu restaurants were the only eating place sector to register positive real sales growth in 1979, with real sales up 1.1 percent compared to a 0.7 percent decline for all eating places. (See accompanying table.)

Sales Growth for Eating Places, 1979 vs. 1978

	Percent Change	
	Current Dollars	Real Dollars
Restaurants, Lunchrooms	9.1%	−1.7%
Limited Menu Restaurants	12.2%	+1.1%
Commercial Cafeterias	6.9%	−4.3%
Social Caterers	3.9%	−7.1%
Ice Cream, Frozen Custard Stands	11.0%	−0.2%
All Eating Places	10.2%	−0.7%

Source: Malcolm M. Knapp, Inc.

Menu expansion by fast food firms continued in 1979, primarily as a means to offer the public some lower priced menu items. Many of these firms are highly dependent on beef and fish, both of which experienced rapid increases in prices in 1979. According to CREST data, menu prices for these establishments were rising at a 15 percent rate for much of 1979, and traffic declined as a result of this. By offering some new and lower price items these firms were better able to attract new business.

Fast food restaurants also increased their usage of promotions in an attempt to build traffic and increase sales. This was especially true after the disastrous Summer Quarter (June, July, August) of 1979. The CREST Fall Quarter data indicate that nearly 10 percent of the occasions at fast food restaurants involved a promotion versus about 8.5 percent for the same period in 1978.

Among the other eating place categories, *ice cream and frozen custard stand* sales reached $1.2 billion in 1979, an increase of 11.0 percent over 1979. *Restaurants and lunchrooms* experienced only a 9.1 percent gain in sales, although they remain the number one eating place category in terms of sales. *Commercial cafeterias* and *social caterers* registered very small sales gains in 1979 of 6.9 percent and 3.9 percent, respectively.

Increased competition as well as rising food and labor costs have spurred restaurant operators to find new ways to expand sales and increase customer counts. The primary means of doing this have been increasing menu offerings, upgrading decor, new promotional offerings and increased advertising. Pricing practices have also allowed operators to maintain high sales volume, as many restaurateurs try to establish an atmosphere in which a patron can choose comfortably among a wide range of menu offerings. An increasing concern about service is also emerging within the foodservice industry. The restaurateur is attempting to offer a better dining experience and adapt to the mood of today's consumer.

NRA FOODSERVICE TRENDS

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In 1979, consumers faced with dwindling disposable income, were forced to decrease their frequency of eating out, and in many cases, were forced to forego eating out all together. In addition, the higher cost of eating out forced consumers to trade down, to order smaller portion sizes or to eliminate some foods such as dessert. For the restaurant industry this was the first experience with such factors, and it has shown that operators and firms that are better managed and have more sophisticated marketing techniques are the most likely to survive.

Bars and Taverns. Food and beverage sales at bars and taverns increased 7.2 percent in 1979 and totaled $7.2 billion. Readers are reminded that these figures are for all bars and taverns, some of which do not offer any foodservice.

Food Contractors. Food and drink sales for food contractors reached $6.2 billion in 1979, an increase of 12.5 percent over 1978's $5.5 billion. *Manufacturing and industrial plant* sales were up 12.4 percent, primarily due to 1979's strong employment picture. Blue collar employment increased 1.7 percent and manufacturing employment rose 2.4 percent. Contract feeders in *commercial and office buildings* showed particularly strong sales gains of 13.5 percent. White collar employment advanced 4.5 percent in 1979. We believe that the strong showing of these contract feeders was due primarily to the gasoline crisis. Workers in office buildings and industrial plants chose to remain there for lunch rather than traveling to a restaurant farther away. In addition, the relatively low cost of such meals may also have made this option more economical.

Of all food contractors, those serving the airline industry had the largest percentage increase in sales. *In-transit (airline) feeding* sales were up 20.2 percent in 1979. Decreased airfares made it more economical for many families to fly to their destination rather than drive. As a result, the number of domestic and international passengers carried on the nation's airlines increased 15.3 percent in 1979 over 1978.

Alcoholic Beverage Sales in Eating and Drinking Places, 1979

	Sales ($000)	Percent
Restaurant, Lunchrooms	$ 4,725,881	40.4
Refreshment places	655,823	5.6
Social Caterers	59,919	0.5
Cafeterias	46,634	0.4
Bars and Taverns	6,199,754	53.1
	$11,688,011	100.0

Note: Only those establishments with payroll are included. Hotel, motel and motor hotel restaurants had combined alcoholic beverage sales of $1,606,994,000. Alcoholic beverage sales in other establishments totaled approximately $901 million in 1979.

Recreation and sport center contractors reported a 12.1 percent advance in food and drink sales, approximating 1978's gain of 12.3 percent. Overall attendance at various spectator sports was up only 1.2 percent and attendance at amusement parks was down during the summer because of the gasoline crisis. However, baseball attendance showed a substantial increase, probably because spectators come from nearby areas.

Contractor sales at *hospital and nursing homes* were up 10.8 percent, slightly above 1978's rise of 10.1 percent. A small rise in the number of patients together with increases in the number of employees contributed to the better performance for these contractors.

Sales by food contractors in *primary and secondary schools* advanced 9.5 percent in 1979, due to an increase in the number of meals served as well as higher food costs. Enrollment in public schools declined by 2.4 percent, and in private schools the decrease was only 0.4 percent.

Food contractor sales in *colleges and universities* were up 12.1 percent, considerably higher than the 8.9 percent gain in 1978. Overall enrollment at both public and private colleges and universities increased 2.3 percent on a full-time equivalent basis.

Hotel and Motel Restaurants. Hotel restaurants' sales increased only 8.9 percent in 1979, substantially below the sales gain of 12.6 percent in 1978. Gasoline prices had some impact on hotel sales in that many families canceled their summer vacation. Business and convention travelers as well as international travelers helped to offset the loss to hotels. International visitors accounted for 16.1 percent of all hotel guests in 1979. Hotel occupancy remained unchanged from 1978 at slightly more than 72 percent. We believe that the high room rates may have led many consumers to eat at less expensive restaurants outside their hotels.

Food and drink sales at *motor hotel* restaurants increased 8.9 percent in 1979, versus 13.0 percent rise in 1978. *Motel* restaurant sales advanced 8.8 percent compared to a larger 11.7 percent gain in 1978. Higher gasoline prices together with consumers' fears about gasoline availability resulted in fewer households embarking on long distance vacation trips in the summer of 1979.

Retail Hosts. Retail hosts are establishments not primarily engaged in foodservice which incorporate a restaurant, cafeteria, snack bar, etc. within their location. Food and drink sales for this group advanced to $3.1 billion in 1979, an increase of 10.3 percent over 1978. Within this category, *grocery stores,* with a sales increase of 17.9 percent, continue to be the leader in foodservice sales growth. This is due primarily to the growth of convenience stores and their increased participation in the foodservice industry. Food and drink sales at *gasoline service* stations rose 15.1 percent in 1979. A closer analysis of this category shows that some gasoline stations also sell groceries and take on many of the same characteristics as convenience stores. Sales at *food stores excluding grocery* stores were up 13.5 percent. We believe that convenience together with the desire for one-stop shopping as a means to conserve gasoline helped boost foodservice sales at these three retail host segments.

On the other hand, food and drink sales at *drug stores, general merchandise stores, department stores, variety stores and miscellaneous retailers* rose at a slower pace than overall restaurant sales at all retail host establishments. The gasoline crisis changed how consumers shop. The public had a special purpose in mind when they ventured out to shop—they did not "browse" and were far less susceptible to impulse buying. As a result, they did not stay in the stores to eat.

Other Commercial Feeding. Mobile catering foodservice sales increased 12.6 percent in 1979, primarily due to increased construction employment (up 8.7 percent) and a rise in employment at manufacturing and industrial plants. Increased attendance at several major spectator sports helped boost food and drink sales at *recreation and sports centers* 11.0 percent in 1979. Foodservice sales at *bowling lanes* was up 11.5 percent, due to many persons looking for closer to home entertainment. *Vending* sales rose 10.3 percent in 1979, primarily due to increased prices.

Institutional Feeding Sales Reach $15.9 Billion

Sales for the Institutional Feeding Group rose from $14.3 billion in 1978 to $15.9 billion in 1979, for an increase of 11.2 percent. Institutional feeders account for 15.2 percent of the food and beverage sales in the foodservice industry. Real sales growth for this group rose 1.7 percent in 1979, compared to a 0.7 percent decline for the Commercial Feeding Group and a 0.5 percent decline for the industry as a whole. A slight increase in the populations served by institutions together with

(Continued on page 10)

NRA FOODSERVICE INDUSTRY—TERMS OF REFERENCE

There are many ways to define the components of the foodservice industry. We have chosen a way that seems reasonable to us, but we recognize that this is a very complex industry and that there are several communities of industry participants. NRA's approach breaks the elements of the foodservice industry into many fine segments so that any industry participant can recombine them into different major groups or subgroups to suit his particular needs. Groupings are to some extent arbitrary, and the categories rarely have neat, sharp boundaries. We define the Foodservice Industry as encompassing all meals and snacks prepared outside the home, and therefore include all take out meals and beverages in this definition.

The major foodservice groupings used by the NRA in its analysis of the industry are as follows:

COMMERCIAL FEEDING (GROUP I): This group comprises those establishments which are open to the public, are operated for profit and which may operate facilities and/or supply meal service on a regular basis for others. Commercial feeding accounts for nearly 85 percent of the sales, and includes eating and drinking places, foodservice contractors, hotel and motel restaurants and restaurants in department stores, drug stores, etc.

EATING PLACES: Dollar sales for eating places are for those with payroll only. Thus our figures may be slightly lower than estimates which include all establishments. Our dollar volume estimates for eating places refer to restaurants and lunchrooms, commercial cafeterias, limited menu restaurants, ice cream and frozen custard stands and social caterers. They do not include contract feeders, which are shown separately, although the Bureau of the Census data include contract feeders in their eating place category.

INSTITUTIONAL FEEDING (GROUP II): This group comprises the business, educational, government and institutional organizations which operate their own foodservice. Food is provided as an auxiliary service to complement their other activities. While some establishments operate at a profit, this is not the aim of the foodservice activity. Rather, they serve food principally as a convenience for their own employees, students, patients, etc.

MILITARY FEEDING (GROUP III): This group comprises the sales of food and beverages at officers' and NCO clubs and military exchanges, as well as defense foodservice to the troops. This group has been shown separately because most suppliers treat it as a distinct entity for sales purposes.

THE FOODSERVICE INDUSTRY
ESTIMATED FOOD AND DRINK SALES AND PURCHASES, 1979

No. of Units	Type of Establishment	Estimated Food and Drink Sales (000)		Percent Gain (Loss)	Estimated Food and Drink Purchases (000)	Source
		1978	1979		1979	
GROUP I:	**COMMERCIAL FEEDING**[1]					
	EATING PLACES					
120,806[2]	Restaurants, Lunchrooms	$30,610,455	$33,398,455	9.1	$12,745,018	1, 21, 22, 23
100,564	Limited Menu Restaurants	22,218,860	24,936,227	12.2	9,043,325	1, 21, 22, 23
6,906	Commercial Cafeterias	1,913,801	2,045,336	6.9	775,829	1, 22, 23
3,449	Social Caterers	720,999	748,981	3.9	295,248	1, 22
8,676	Ice Cream, Frozen Custard Stands	1,071,865	1,189,556	11.0	380,658	1, 21, 22
240,401	TOTAL EATING PLACES	$56,535,980	$62,318,555	10.2	$23,240,078	
38,879[3]	Bars and Taverns	$ 6,696,188	7,178,715	7.2	450,322[4]	1, 22
279,280	TOTAL EATING AND DRINKING PLACES	$63,232,168	$69,497,270[5]	9.9	$23,690,406	
7,836[6]	FOOD CONTRACTORS					
	Manufacturing and Indus. Plants	$ 1,794,624	2,016,619	12.4	939,744	1, 19, 27
	Commercial and Office Bldgs.	476,770	541,134	13.5	252,168	1, 27
	Hospitals and Nursing Homes	678,151	751,334	10.8	300,534	13
	Colleges and Universities	895,969	1,004,381	12.1	355,541	2, 4
	Primary and Secondary Schools	526,749	576,790	9.5	282,627	3
	In-Transit Feeding (Airlines)	395,872	476,067	20.2	$ 228,507[7]	9
	Recreation and Sports Centers	780,883	875,370	12.1	323,887	1, 23, 24, 29
7,836[6]	TOTAL FOOD CONTRACTORS	$ 5,549,018	$ 6,241,695	12.5	$ 2,683,008	
	LODGING PLACES					
13,595	Hotel Restaurants	$ 3,016,585	$ 3,285,061	8.9	$ 1,148,856	1, 23, 25, 26
2,589	Motor Hotel Restaurants	742,397	808,470	8.9	282,544	1, 23, 25, 26
13,651	Motel Restaurants	1,653,060	1,798,529	8.8	645,079	1, 26
29,835	TOTAL LODGING PLACES	$ 5,412,042	$ 5,892,060	8.9	$ 2,076,479	
	RETAIL HOSTS					
8,619	Drug and Prop. Store Restaurants	$ 338,044	$ 345,481	2.2	$ 131,283	1
1,644	Gen. Merchandise Store Restaurants	46,425	50,232	8.2	19,088	1
5,202	Department Store Restaurants	916,881	986,564	7.6	394,626	1, 30
5,111	Variety Store Restaurants	383,245	419,270	9.4	163,515	1
3,967	Food Stores Ex. Grocery	134,137	152,245	13.5	51,763	1
22,500	Grocery Stores Restaurants	537,101	633,242	17.9	234,300	1
8,232	Gasoline Service Stations	311,598	358,649	15.1	132,700	1
3,608	Misc. Retailers (Liquor, Cigar, Etc.)[8]	119,827	129,772	8.3	47,367	1
58,883	TOTAL RETAIL HOSTS	$ 2,787,258	$ 3,075,455	10.3	$ 1,174,642	
	RECREATION AND SPORTS					
2,882	Drive-In Movies	$ 146,875	$ 161,871	10.2	$ 53,417	1
3,933	Bowling Lanes	410,843	458,049	11.5	174,059	1
n/a	Recreation and Sports Centers	569,649	632,310	11.0	233,955	1, 24, 29
6,815	TOTAL RECREATION AND SPORTS	$ 1,127,367	$ 1,252,230	11.1	$ 461,431	
	ALL OTHER					
3,267	Vending and Non-store Retailers[9]	$ 2,127,414	$ 2,347,474	10.3	798,141	1, 19
n/a	Mobile Caterers	385,755	434,360	12.6	152,026	1, 2
3,267	TOTAL ALL OTHER	$ 2,513,169	$ 2,781,834	10.7	$ 950,167	
385,916	**TOTAL GROUP I**	**$80,621,022**	**$88,740,544**	**10.1**	**$31,036,127**	
GROUP II:	**INSTITUTIONAL FEEDING-BUSINESS, EDUCATIONAL, GOVERNMENT OR INSTITUTIONAL ORGANIZATIONS WHICH OPERATE THEIR OWN FOOD SERVICE**					
	EMPLOYEE FEEDING					
4,000	Industrial and Commercial Organizations	$ 1,166,662	$ 1,301,995	11.6	$ 636,715	20, 27
552	Sea-going Ships (1,000 + tons)	47,957	52,003	8.4	31,202	6
4,248	Inland Waterway Vessels	158,850	181,296	14.1	108,778	7
8,800	TOTAL EMPLOYEE FEEDING	$ 1,373,469	$ 1,535,294	11.8	$ 776,695	
	EDUCATIONAL FEEDING					
95,738	Public and Parochial Elementary and Secondary Schools (94,535 National School Lunch Program)[10]	$ 1,938,524	$ 2,136,253	10.2	$ 2,906,886	3
995	Public Colleges and Universities[11]	1,310,242	1,440,101	9.9	705,808	3
1,470	Private Colleges and Universities[11]	541,815	599,247	10.6	342,434	2, 4
98,203	TOTAL EDUCATIONAL FEEDING	$ 3,790,581	$ 4,175,601	10.2	$ 3,955,128	

No. of Units	Type of Establishment	Estimated Food and Drink Sales (000) 1978	Estimated Food and Drink Sales (000) 1979	Percent Gain (Loss)	Estimated Food and Drink Purchases (000) 1979	Source
	TRANSPORTATION					
74	Passenger/Cargo Liners	$ 88,832	$ 103,614	16.6	$ 56,988	8
46	Airlines	366,976	441,334	20.3	219,837	9
2	Railroads	25,109	31,631	26.0	21,768	10
122	TOTAL TRANSPORTATION	$ 480,917	$ 576,579	19.9	$ 298,593	
	HOSPITAL FEEDING					
4,077	Voluntary and Proprietary Hospitals	$ 3,838,090	$ 4,290,555	11.8	$ 1,716,222	13
1,846	State and Local Short-term Hospitals[12]	583,546	656,099	12.4	459,806	13
704	Long-term General, TB, Nervous and Mental Hospitals	752,040	820,153	9.0	328,061	13
361	Federal Hospitals[12]	262,944	288,657	9.8	236,321	13
6,988	TOTAL HOSPITAL FEEDING	$ 5,436,620	$ 6,055,464	11.4	$ 2,740,410	
25,130	Nursing Homes, Homes for Aged, Blind, Orphans, Mentally and Physically Handicapped[13]	$ 1,990,080	$ 2,205,805	10.8	$ 1,394,642	14
	MISCELLANEOUS					
10,310	Clubs	$ 860,301	$ 941,944	9.5	$ 453,499	5
2,249	Sporting and Recreational Camps	99,824	107,231	7.4	64,350	1, 11
16,010	Community Centers	286,364	318,723	11.3	376,087	12
n/a	Convents and Seminaries	***	***	***	117,072	17
28,569	TOTAL MISCELLANEOUS	$ 1,246,489	$ 1,367,898	9.7	$ 1,011,008	
	PENAL INSTITUTIONS					
620	Federal and State Prisons	***	***	***	$ 230,155	15
3,493	Jails	***	***	***	181,877	16
4,113	TOTAL PENAL INSTITUTIONS	***			$ 412,032	
171,925	**TOTAL GROUP II**	**$14,318,156**	**$ 15,916,641**	**11.2**	**$10,588,508**	
557,841	**TOTAL GROUPS I AND II**	**$94,939,178**	**$104,657,185**	**10.2**	**$41,624,635**	
	Food Furnished Food Service Employees in Groups I and II	***			$ 2,995,196	18
	TOTAL GROUPS I AND II AND FSE	**$94,939,178**	**$104,657,185**	**10.2**	**$44,619,831**	
GROUP III:	**MILITARY FEEDING**					
	Defense Personnel	$ ***			$ 1,537,259	18
717	Officers and NCO Clubs ("Open Mess")	403,414	$ 359,555	(10.9)	135,552	28
558	Food Service-Military Exchange	221,000	195,321	(11.6)	85,941	28
1,275	**TOTAL GROUP III**	**$ 624,414**	**$ 554,876**	**(11.1)**	**$ 1,758,752**	
559,116	**GRAND TOTAL**	**$95,563,592**	**$105,212,061**	**10.1**	**$46,378,583**	

FOOTNOTES

1. Data are given only for establishments with payroll.
2. Figures are latest Census Area Reports or Merchandise Line detail counts or updates when reliable data become available.
3. Unit count includes only those establishments serving food; however, sales figure is for all bars and taverns with payroll.
4. Food only. Cost of alcoholic beverages totaled $2,169,914.
5. Food and drink sales for nonpayroll establishments totaled $2,171,295 with eating places acounting for $1,345,762 and drinking places $825,533.
6. Individual businesses, not locations. Contract feeders are included in eating place totals in all Bureau of the Census publications although their sales volume figures for contract feeders are significantly understated.
7. Food purchase only.
8. Includes SIC 59, except 591 and 596.
9. Includes sales of hot foods, sandwiches, pastries, coffee and other hot beverages.
10. School lunch program commodities furnished in the calendar year 1979 under Secs. 6, 32, 416, are worth $725,808,000. In addition, 1,863,959,000 half pints of milk worth $145,985,000 were supplied to 85,775 outlets.
11. Total number of colleges and universities which have foodservice whether contracted or not.
12. Represents sales or commercial equivalent to employees.
13. Sales (commercial equivalent) calculated for Nursing Homes and Homes for Aged only. All others in the grouping make no charge for food served either in cash or in kind.
14. Continental U.S. only.

***These institutions make no charge for food served either in cash or kind.

substantial gains in institutional employment and higher food costs helped to boost foodservice sales for this sector.

The accompanying table on pages 8 and 9 and the following narrative will highlight sales gains made by the various segments of the Institutional Feeding Group.

Employee Feeding. As has been previously mentioned, employment of both blue and white collar workers increased significantly in 1979, and these gains were primarily responsible for the 11.6 percent sales growth for foodservice in *industrial and commercial organizations.* Food and drink sales for *sea-going ships* were up a modest 8.4 percent because of fewer employees in the merchant marine. Foodservice sales on *inland waterway vessels* rose an impressive 14.1 percent in 1979. The high cost of gasoline caused many manufacturers to ship their goods via water because this was a cheaper mode of transportation.

Schools. Foodservice sales at *public and parochial primary and secondary schools* increased 10.2 percent in 1979, considerably above the gain of 8.1 percent in 1978. This increase was the result of higher food prices as well as a slight rise of 0.5 percent in the number of school lunches served and the 10.5 percent increase in the number of breakfasts served. (We consider a sale to be the actual cash payment made by a student. The difference between what a student pays and the cost of the meal is borne by state, local and federal governments.)

Food and drink sales at *public colleges* advanced 9.9 percent, compared to a much smaller gain of 7.9 percent in 1978. Most of this sales increase was due to higher food costs as well as the 2.3 percent increase in public college enrollment on a full-time equivalent basis. *Private college and university* foodservice sales were up 10.6 percent in 1979, also due to rising enrollment and higher food prices.

Transportation. The gas crisis of 1979 was very beneficial for transportation foodservice. Fares were low and consumers did not have to worry about the price or availability of gasoline. *Passenger and cargo liner* foodservice sales increased an impressive 16.6 percent in 1979, considerably above the 12.4 percent gain in 1978. Food and drink sales on the nation's *airlines* advanced 20.3 percent, outpacing their rise of 16.1 percent in 1978. Sales growth on *railroads*, however, was the big gainer. Foodservice sales for railroads increased 26.0 percent in 1979, a substantially better showing than the 5.0 percent loss experienced in 1978.

Hospitals. The slight increase in the number of patients in *hospitals and nursing homes* together with a more significant gain in the number of employees, particularly administrative employees, helped boost hospital food and drink sales. In addition, the rise in wholesale food prices also caused sales to advance. Sales at *state and local short term hospitals* were up 12.4 percent in 1979, while at *voluntary and proprietary hospitals* foodservice sales increased 11.8 percent. Food and drink sales at nursing homes rose 10.8 percent in 1979, compared to a higher 11.3 percent gain in 1978.

Other Institutions. Sports and recreational camps were hurt by the gas crisis as well as the economy. As a result, foodservice sales at these establishments were up only 7.4 percent in 1979. Sales at *community centers* were running strong because of increased participation in breakfast programs. These establishments experienced an 11.3 percent sales gain in 1979.

Military Feeding Sales Decline

Military Feeding makes up the third group of our industry, and in 1979 sales totaled $555 million, down 11.1 percent from 1978's $624 million. Readers should note that sales figures for commercial transactions at military bases do not include defense foodservice for the troops. The decline in sales between 1978 and 1979 was due to a slight decrease in military population as well as the fact that patronage at clubs and post exchange foodservice establishments was down. Military personnel probably also felt the squeeze on disposable income as did the civilian population and cutback on discretionary spending. The trend now is for increased troop strength, and we would expect military foodservice sales to rise in future years.

Notes Concerning NRA's 1979 Sales Figures

Sales data for many of the commercial segments of the foodservice industry are based on the *1977 Census of Retail Trade.* Exceptions to this are sales for hotels, motels, camps and clubs for which the *1977 Census of Selected Services* was used. In addition, we have used the "Merchandise Line" and "Miscellaneous Subjects" reports from the *1977 Census of Retail Trade* to provide us with the proportion of meal and snack sales to total sales for eating and drinking places, retail hosts and other non-store retailers.

We define a restaurant or lunchroom as an establishment which has waiter or waitress service while the patron is seated. A refreshment place or limited menu restaurant, on the other hand, is an establishment that does not provide waiter or waitress service. For other definitions of the major segments of the foodservice industry readers can refer to the box on page 7.

Readers may note that our 1979 eating place sales figures are lower than those published by the Census Bureau in its "Current Retail Trade Reports" series. (Census revised its 1979 sales figures in April of 1980 *and* in April of 1981.) The Census data include contract feeders, while we put all contract feeding into a separate Commercial Feeding segment. In addition, we do not believe that these latest revisions reflect the true state of the industry in 1979. The newly revised (April, 1981) Census figures show eating place sales in 1979 up 12.7 percent over 1978; restaurant, lunchroom and cafeteria sales up 13.6 percent and refreshment places (fast food) sales up 11.3 percent. All of these increases are substantially higher than those reported in the April, 1980 revisions, and they indicate that the industry experienced positive real sales gains in 1979. We know from other documented sources that the industry suffered customer traffic and real sales losses in 1979 due to the economy and the gas crisis. This contradicts the fact that the industry experienced positive real sales growth as shown by the Census figures. These government data also indicate that the rate of sales growth for refreshment places (fast food restaurants) was below that for restaurants) was below that for restaurants and lunchrooms. We believe that the rate of growth for the refreshment place segment of the industry has been and still is greater than the restaurant component because of continued unit expansion by fast food firms and rate of sales growth for the major chains in 1979.

Other points to be borne in mind concerning our 1979 sales figures include:

- Data presented in this report are national in scope and do not show regional variations which can be substantial.
- Individual firms can and do significantly deviate from the average percent changes.
- Percent changes shown in this report cover only two years and are not necessarily indicative of long term trends.

Based on 1979 data we have revised the level of sales for the years 1970 through 1980, and these revisions appear in our new *Foodservice Sales Panorama* described in the box on page one. Readers who are interested in projected 1981 foodservice industry sales should refer to the December, 1980 *Foodservice Trends*. Although 1981 sales levels for nearly all segments are off because of these revisions, the percent changes between 1980 and 1981 are still valid. The National Restaurant Association will review its 1981 forecast later this year and any significant changes will be published in *Foodservice Trends*.

Methodology and Sources

The figures in this study were obtained through published sources from trade associations, by inference through interrelating various government data (both published and unpublished), by discussions with foodservice executives in many segments of the industry and by personal judgment. As a method of attack, whenever possible, several approaches and sources were used for the industry segment under examination to triangulate a set of answers in close agreement with each other. This has proved particularly useful where data are "soft." Source materials used in making our estimates are listed on the next page and are noted on the table on pages 8 and 9.

For the Commercial Feeding Group sales figures were determined first and then food and drink purchases were calculated from the sales figures on the basis of food and beverage costs as a percent of sales. In the Institutional Feeding Group, purchases were calculated from a cost per meal times the number of meals consumed in the particular segment. Sales are a multiple of food and beverage costs. Where a direct charge for food is not made, such as in a proprietary hospital, sales were calculated as a percent of operations.

There are some exceptions, however. For airlines, estimated sales were taken to mean estimated purchases from a contractor or the imputed cost of foodservice operations by the airline. The sales figures do not include the cost of serving meals or beverages. In some cases, we do not consider sales as having taken place at all; for example, feeding of patients in federal hospitals which do not charge for service to veterans.

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SOURCES:

1. U.S. Bureau of the Census, Census of Business, *1972 Census of Retail Trade, Merchandise Line Sales, Sales Size, Miscellaneous Subjects, 1972 Selected Services, Hotels, Motels, Trailering Parks and Camps; 1977 Census of Retail Trade, Sales Size, Merchandise Line Sales, Miscellaneous Subjects; 1977 Census of Selected Services, Current Retail Trade Reports, Monthly Selected Services Receipts, Series BS.*
2. Industry sources.
3. Based on data from U.S. Department of Agriculture, Food and Nutrition Service and HEW, Office of Education "Fall 1979 Statistics of Public Schools;" HEW *Digest of Educational Statistics, 1978, 1979;* National Catholic Education Assn Granley's 1977 and 1978, *Catholic Schools in America; Current Population Reports,* Series P-20, Nos. 222, 303, 319, 321.
4. Estimated: Based on *College and University Business,* December 1970; HEW *Digest of Educational Statistics, 1978, 1979;* HEW *advanced 1980 data;* Bureau of the Census *Current Population Report, Series P-20,* No. 245 "Living Arrangements of College Students," October 1971, HEW National Center for Educational Statistics unpublished data.
5. Estimated: Based on U.S. Department of Commerce, Bureau of Economic Anlysis: "Personal Consumption Expenditures (revised in 1981);" *Clubs in Town and Country 1979,* Pannell, Kerr, Forester.
6. Estimated: Based on data supplied by U.S. Maritime Commission, Immigration and Naturalization Service; *Statistical Abstract of the United States 1980,* Tables 1184 and 1188.
7. Estimated: Based on data supplied by American Waterways Operators, Inc.; individual companies; *Statistical Abstract of the United States, 1980* "Waterborne Commerce of the U.S.," Table No. 1171.
8. Estimated: Based on data supplied by the U.S. Maritime Commission, Immigration and Naturalization Service and individual passenger lines; *Statistical Abstract of the United States, 1980, Tables 1184 and 1192.*
9. *Estimated: Based on data supplied by Air Transport Association, Air Transport World;* individual companies; CAB Form 41 and Merrill, Lynch, Pierce, Fenner & Smith air transport analyst; *Statistical Abstract of the United States, 1980,* Table No. 1161.
10. Estimated: Based on data supplied by the Association of American Railroads and Amtrak Corporation.
11. Estimated: Based on data from the American Camping Association and individual companies.
12. Estimated: Based on information from YMCA Statistical Division, U.S. Department of Agriculture, Food and Nutrition Service and industry sources.
13. Estimated: Based on data from the American Hospital Association, *Hospital Statistics 1980;* "HAS Six Month National Comparison period ending June 30, 1978; June 30, 1979, December 1978 and December 1979," American Hospital Association; Veterans Administration and individual companies.
14. Estimated: Based on data from the National Center for Health Statistics; *1970 Census of Population;* American Hospital Association; *NIH Master Facilities Inventory 1978,* unpublished data.
15. Estimated: Based on information from the Bureau of Prisons, Department of Justice, "Prisoners in State & Federal Institutions," December 31 annual, *Corrections Magazine.*
16. Estimated: Based on Department of Justice, Law Enforcement Assistance Administration, "*Census of Jails and Survey of Jail Inmates, 1978* and unpublished data.
17. Estimated: Based on information from the Office Catholic Directory, P. J. Kenedy & Sons, interviews with suppliers.
18. Defense Personnel Support Center, Philadelphia unpublished data; Bureau of Economic Analysis, "Personal Consumption Expenditures" (revised in 1981.)
19. Estimated: Based on *Vending Times,* "Survey of the Industry," June 1979 and June 1980.
20. Industry sources.
21. *Franchising in the Economy,* 1979-81, Bureau of Domestic Commerce, U.S. Department of Commerce.
22. *Producer Price Index; Consumer Price Index;* Bureau of Labor Statistics, U.S. Department of Labor.
23. Company annual reports.
24. Estimated: Based on *Statistical Abstract of the United States, 1980,* Table Nos. 404, 406, 413 and 417; Bureau of Economic Analysis "Personal Consumption Expenditures" (revised in 1981).
25. Estimated: Based on Laventhol & Horwath, *Lodging Industry 1980; Trends in the Hotel-Motel Business, 1979,* Pannell, Kerr, Forester.
26. American Hotel & Motel Association *Construction & Modernization Report.*
27. Estimated: Based on *Employment and Earnings,* Bureau of Labor Statistics, "Nonagricultural Establishment Employees," "Employed Persons by Major Occupation Group and Sex, 1960-1979."
28. Army Times Publishing Company.
29. *AudArena Stadium,* 1980.
30. *Department and Specialty Store Merchandising and Operating Results of 1979,* National Retail Merchants Association.

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FOODSERVICE TRENDS

Volume 3, Number 3
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analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue:

- NRA Publishes *Market Research For The Restaurateur*
- Increase In Number Of Working Women Has Been Beneficial To The Restaurant Industry
- NRA's Market Research Group Discusses Role Of Market Research In Restaurant Planning
- CREST Report: Customer Traffic Declines 6.1 Percent In Winter Quarter
- Wholesale Food Prices Begin Rising

NRA PUBLISHES *MARKET RESEARCH FOR THE RESTAURATEUR*

One of the greatest needs of restaurant operators and managers today is to have adequate, accurate and current information on which to base decisions concerning the marketing of their menu items and their restaurant concept. In order to help operators develop and collect this information, the National Restaurant Association has published a book entitled *Market Research For The Restaurateur*. This publication is a practical handbook that shows the non-professional how to do enough market research to assist in making operational and promotional decisions and to do it in a professional and unbiased manner.

The Handbook contains step-by-step approaches to doing many types of market research, based on sound principles that have been adapted to meet the specific situations and needs of restaurateurs. Numerous examples are given to aid the operator in understanding the use and application of each research method. Included are sample questionnaires and analysis forms that can be easily duplicated when operators embark on a specific type of market research.

NRA's *Market Research For The Restaurateur* encompasses six chapters, each detailing the why and the how to of a specific research technique. These chapters are as follows:

CHAPTER ONE	**The Basics of Market Research**
CHAPTER TWO	**Sales Records As A Basic Market Research Tool**
CHAPTER THREE	**How To Use Customer Comment Cards To Determine Who Your Customers Are**
CHAPTER FOUR	**Analyzing Your Trading Area Or Potential Trading Area**
CHAPTER FIVE	**Evaluating Customer Perceptions Of Your Restaurant**
CHAPTER SIX	**How To Conduct A Competitive Analysis**

The National Restaurant Association's new *Market Research For The Restaurateur* will be available for sale in late May. Interested persons wishing to order this publication should contact NRA's Educational Materials Center, 311 First Street, N.W., Washington, D.C. 20001 or call toll free, 800-424-5156. Members should specify order number CS-200 and non-members should specify order number CS-201 when ordering *Market Research For The Restaurateur*.

INCREASE IN NUMBER OF WORKING WOMEN HAS BEEN BENEFICIAL TO RESTAURANT INDUSTRY

Increases in the number of working women during the past decade have resulted in changing family lifestyles that have been beneficial to the restaurant industry. The restaurant industry has benefited because families with working wives tend to eat out more frequently and spend more money at each meal occasion than families where the wife is not employed. Changes related to working women were particularly pronounced in the Seventies as the number of females in the labor force increased 42 percent, or a 3.5 percent annual rate between 1970 and 1980.

Although the number of women participating in the labor force is expected to continue to increase in this decade, the rate of growth will be slower than in the past ten years. The number of women 16 years of age and older in the labor force is projected to increase at an annual rate of 2 percent between 1980 and 1995 to a total of 59,931,000. (The Bureau of Labor Statistics has made three employment projections, high, medium and low. The figures for medium growth are used in this report.)

Increased participation of women in the work force can be attributed to two major factors. First, the aging of the World War II "baby boom" generation resulted in a surge in the numbers in the work force. Second, many married women are now choosing to work outside of the home, due either to personal preference or economic need. Whatever the reason for entering the labor force, changes have resulted which are evident throughout the economy.

Relative Convenience of Preparing Meals at Home by Female Employment Status

	Employed Full Time	Not Employed
Very Convenient	14.6%	26.9%
Somewhat Convenient	19.4%	20.9%
Not Very Convenient	20.2%	15.7%
Not At All Convenient	39.1%	32.1%

SOURCE: *Gallup Eating Away From Home Monitor, June 1980*

Working Women Find Eating Out More Convenient Than Cooking at Home

The restaurant history is one area where these changes are most apparent. The lifestyle of a family changes when married women enter the labor force. These women look for easier and more convenient ways to prepare meals and eating out is often a logical choice. A question in the June 1980 Gallup "Eating Away From Home Monitor" asked "How convenient would it have been for you to have prepared the meal (that was eaten out) at home?" Thirty-nine percent of the employed females surveyed indicated it would not have been convenient at all to have prepared the meal at home versus thirty-two percent of those females who were not employed. Only fourteen percent of the employed females surveyed indicated it would have been very convenient compared to 27 percent of the females that were not employed. (See accompanying table.)

A special CREST study done for the NRA in 1978 found that family income level and employment status of the wife are primary determinants of eating out behavior. The report revealed that families with an employed wife and income over $20,000 spend 15.4 percent more per meal occasion than those where the wife is not employed. Families with an employed wife have both a greater tendency to be part of the eating out market and eat out more frequently, especially for the evening meal. (See accompanying chart.) *Roper Reports* research studies also confirm these findings that working women eat out more often and spend more per occasion than women in general.

Families with working wives tend to be more affluent, and this is reflected in the larger check size. The meal where this difference was most pronounced was supper with a per person check size of $2.77 for families with a working wife compared to $2.57 for families where the wife did not work.

This may have a positive affect on restaurant sales as supper is the meal occasion where families are willing to spend more. Also, as married women continue to enter the labor force, more families will probably be dining out for the evening meal.

Eating Out Behavior of Families With Working and Non-Working Wives

Per Person Check Size

	Working	Non-Working
Breakfast	$1.49	$1.39
Lunch	$1.76	$1.69
Supper	$2.77	$2.57
Weekends	$2.16	$1.95

Visit Frequency[1]

	Working	Non-Working
Breakfast	4.8	4.7
Lunch	15.5	12.7
Supper	10.9	9.1
Weekends	14.5	12.6

Family Reach[2]

	Working	Non-Working
Breakfast	39.4%	32.8%
Lunch	85.5%	80.2%
Supper	87.9%	78.2%
Weekends	91.4%	84.0%

[1] Visit Frequency is the *Number of Times a Restaurant Patron Family Eats Out*
[2] Family Reach is the Percent of Total Families that Eat Out
SOURCE: *Crest, Average 8 Week Period*

Two-Income Families Account for Almost One Half of Dollars Spent on Eating Out

The number of married women participating in the labor force increased almost 30 percent between 1970 and 1978, and accounted for 55.5 percent of the total female labor force. More than half, 51.5 percent, of the total number of husband-wife families had both partners participating in the labor force in 1978 up from 46 percent in 1970. The median income for this family type totaled $25,289 in 1979 compared to $18,915 for families where the husband was the sole wage earner. (See accompanying chart.)

These more affluent, two-income families comprise a large proportion of families that eat out and provide a large source of revenue to the restaurant industry. A CREST study completed in 1978 found that 47 percent of the dollars spent on eating out are from this income bracket. Families with working wives probably will become even more affluent in the future as the female partner acquires the necessary education and skills to move into higher paying jobs. Women comprised 43.3 percent of the workers in professional and technical fields in 1979, up slightly from 40 percent in 1970. This may mean even greater visit frequency and increased penetration for these families in the future, as their income and career demands rise.

1979 Median Family Income

	Median Income
One Earner, Total	$18,137
Husband Only	$18,915
Wife Only	$12,551
Other Relative Only	$17,057
Two Earners, Total	$25,613
Husband and Wife Only	$25,289
Husband and Other Relative Only	$29,124
Husband is Nonearner	$19,429

SOURCE: *Bureau of Labor Statistics*

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Single Working Women Important Source of Industry Sales

The participation rate, percent of the population that is in the labor force, for women is highest for those 20 to 24 years of age. The 69 percent rate in 1980 is up from 58 percent in 1970 as more women are postponing marriage and entering the labor force. Also, more women have attained higher education levels and are increasing their propensity to participate in the labor force. The trend is expected to continue as the participation rate for those 20 to 24 is projected to be 79.5 percent in 1995.

In 1979 never-married women accounted for 26 percent of the total female labor force, up from 22 percent in 1970. While they are smaller in number than married working women (26 percent of the total female labor force versus 55.5 percent) they are very important to the restaurateur. Singles tend to eat out more often because they find it easier and more convenient than cooking for one. In a 1980 CREST survey on singles, including both women and men, it was found that single persons account for 24 percent of restaurant sales and 20 percent of the customer traffic. (See February 1981 *Foodservice Trends*.)

Female Labor Force Participation Rates, 1970-1995

	1970	1980	Projected 1995
Women, 16 Years and Over	43.3%	51.5%	61.5%
16 to 19 Years	44.0%	52.5%	66.3%
20 to 24 Years	57.7%	69.4%	79.5%
25 to 54 Years	50.1%	64.1%	78.0%
55 and Over	25.3%	22.2%	20.2%

SOURCE: *Bureau of Labor Statistics*

Working Women Provide Restaurateurs With a Growth Market

Once women have entered the labor force they most likely intend to stay. Seventy-eight percent of the female population 25 to 54 years of age is projected to be in the labor force in 1995, up from 64 percent in 1980 and from only 50 percent in 1970.

Working women provide the restaurateur with a new area to target his advertising dollars. As career demands increase for women, husbands will take on more household responsibilities such as meal preparation and planning. Eating out may be chosen often because it is easier and more convenient than preparing a meal at home, and the restaurant they visit may be the result of advertising focused toward these two income families. These family types and their income will continue to increase in the future, providing an excellent growth market for the restaurant industry.

NRA's MARKET RESEARCH GROUP DISCUSSES ROLE OF MARKET RESEARCH IN RESTAURANT PLANNING

Members of the National Restaurant Association's Market Research Group met in Dallas in late March to discuss the role of market research in restaurant planning. Attendees at the meeting were privileged to hear from three industry experts who presented their own views on emerging industry trends. These experts included:

- Robert L. Emerson, Financial Analyst and Manager, Fred Alger and Company, Inc., and author of *Fast Food—The Endless Shakeout.*
- Leonard Wood, Executive Vice President, The Gallup Organization.
- William C. Hale, Principal Associate, Technomic Consultants.

We believe that many readers will find the following summary of these speakers' remarks of interest.

Bob Emerson Sees Industry's Growth Slowing From Record Gains Made in the Seventies

Bob Emerson presented the Market Research Group with his thoughts on where the restaurant industry would be going during the Eighties, with primary emphasis on restaurant chains. He sees some ominous signs for the industry, including declining profitability and a reluctance to open new units. Because of this, Emerson believes that the growth of the industry will slow significantly from the record levels of the mid-Seventies. However, he does foresee an optimistic note for the industry in this decade. He thinks the industry has the ability to diversify into other kinds of service related businesses which have the same fragmented market structure as our industry.

Emerson stated that there are a few demographic trends which would impact the restaurant industry during this decade. He specifically concentrated on the growing 25 to 34 age group with its growing affluence due to increasing numbers of two income families. This group "knows how to eat out" and is used to eating out. Emerson believes that the mid to upper priced restaurants will be the primary beneficiaries of this age segment; however, independent dinner house restaurants may be able to benefit more from this trend than will chain dinner houses. The reason for this is because there is consumer price resistance to spending $8 to $12 per person at a chain restaurant.

Menu expansion by restaurant chains was also discussed by Emerson. He stated that the most successful chains in the Seventies were those which had "spartan" or simple menus. New products developed by restaurants were usually preceded by a drop in profitability or traffic and were developed to attract more patrons. Emerson cautioned the industry that expansion of menus can cause operating inefficiencies and can possibly confuse customers. In addition, he stated that restaurants usually focus only on the initial success of a new menu item and that often, in the long run, these items are not successful.

Emerson sees foreign unit expansion as a means for increasing profits and sales for restaurant companies. He believes that many opportunities exist for chains which are now involved or plan to be involved in foreign expansion. Emerson stated that most firms use licensing agreements when dealing with overseas expansion, and this usually minimizes the risk of failure.

In summary, Emerson believes that some optimism for the restaurant industry's future does exist. He feels that the industry should view itself as one which knows how to run a highly fragmented, inexpensive, quick service business. In addition, the restaurant industry must capitalize on its strengths:

- Talented and experienced management
- Excellent site selection capabilities
- Availability of capital which creates opportunities for expansion

Len Wood Discusses Emerging Trends Expected to Impact the Restaurant Industry

Len Wood of the Gallup Organization presented extensive information on emerging consumer trends which are expected to impact the restaurant industry during this decade. The information was based on Gallup's "Monthly Monitor of Eating Out" as well as other consumer research done by the organization. Wood stated that in the Sixties and the Seventies the industry was primarily interested in demographic trends and what they mean to the restaurant industry. In the Eighties, Wood believes, demographic trends will still be important, but the real emphasis will be on changing attitudes.

The Gallup "Monthly Monitor" has indicated that there is increasing concern on the part of consumers with the relationship between diet and health. Consumers appear to be interested in cholesterol, sugar and salt content and in food additives as well as nutrition. Wood thinks this has led to three things:

(Continued on page 9)

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CREST REPORT

Quarterly Supplement To
Foodservice Trends
May, 1981

CREST Highlights

- **Customer Traffic declined 6.1 percent in the Winter Quarter from the same period last year, compared to a 1.4 percent increase in the Fall Quarter.**
- **Families decreased their frequency of eating out, with sharp cutbacks at coffee shops and take out restaurants.**
- **Industry sales rose only 1.8 percent in the Winter Quarter, versus a considerably larger 9.8 percent increase in the Fall Quarter.**
- **Promotional usage reached an all-time high in the Winter Quarter, with 10.3 percent of the meal occasions involving a promotion versus 8.7 percent of the occasions last winter.**
- **Traffic counts were off 4.3 percent at fast food restaurants and 1.5 percent at family restaurants in the Winter Quarter.**
- **Breakfast traffic fell 2.1 percent in the Winter Quarter from the same period in 1980, following five consecutive quarters of traffic gains.**

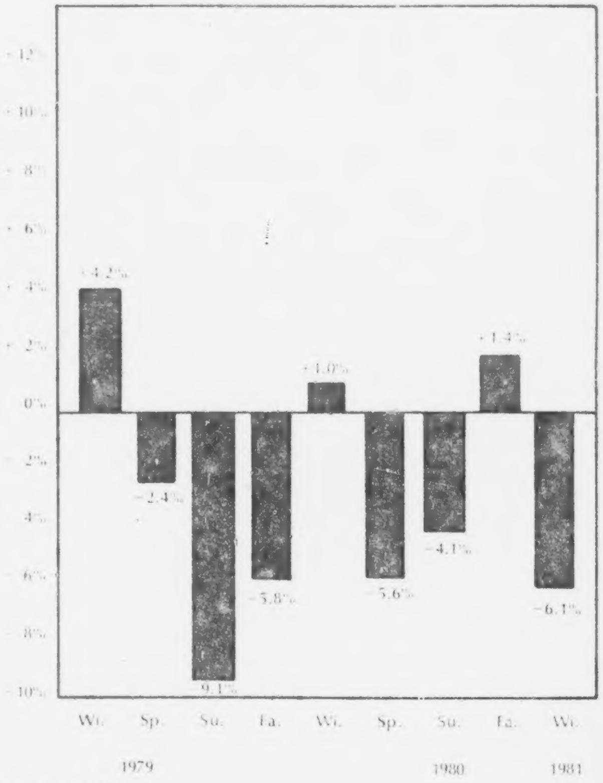
Customer Traffic Declines 6.1 Percent in Winter Quarter

Restaurant customer traffic declined in the Winter Quarter (December, January, February) despite signs of improvement in the economy. According to CREST information, traffic fell 6.1 percent from the same period a year earlier following an increase of 1.4 percent in the Fall Quarter. Although customer counts have been depressed since the disastrous Summer Quarter of 1979 when traffic dropped 9.1 percent, the rate of decline has steadily improved. (See accompanying chart.) In fact, after the traffic gain in the Fall, many believed that the industry was recovering from its downturn. The decline in the most recent quarter, however, suggests that the industry is still vulnerable to external economic pressures such as rapid increases in gasoline prices and continued pressures on consumers' disposable income.

Food away from home prices increased at a slower rate than food at home prices in the Winter Quarter, 9.8 percent versus 10.6 percent. In the past this has seemed to give restaurants a competitive advantage and consumers have increased their restaurant visits. This was not the case in the most recent quarter, as evidenced by the 6.1 percent decline in customer counts. One reason consumers curtailed their restaurant visits may have been due to a pinch on discretionary income as a result of the large increase in gasoline prices coupled with large heating bills in the Winter Quarter. Gasoline prices increased 10 percent as a result of the lifting of price controls on domestically produced oil. Given no surprises by OPEC, gasoline prices are expected to remain fairly stable for the remainder of 1981.

The poor performance in the most recent Winter Quarter was magnified by the fact that 1980's Winter Quarter posted a 1.0 percent traffic gain. After a slow first quarter start, NRA predicts modest improvement in 1981 for commercial restaurants (eating places) with real sales (adjusted for inflation) to increase 0.6 percent,

Percent Change in Quarterly Customer Traffic (Winter '79-Winter '81)



SOURCE: CREST

compared to a 1.5 percent decline in 1980. (See December 1980 *Foodservice Trends.*)

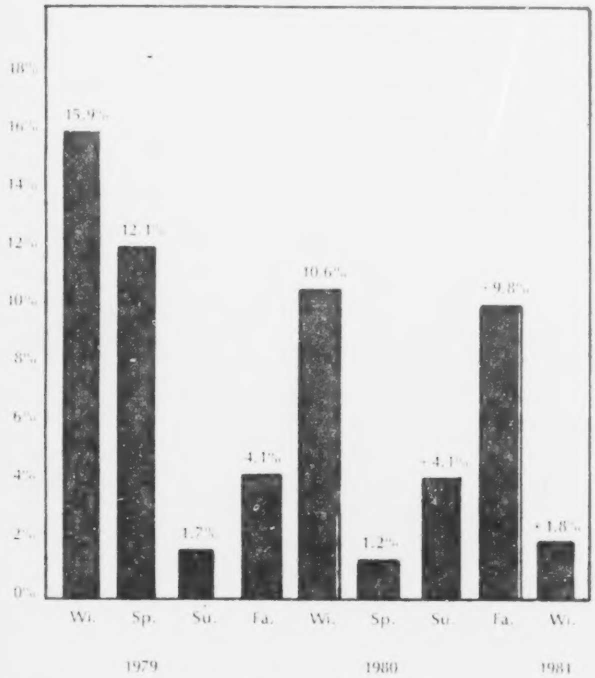
Frequency of Eating Out Declines

Visit frequency, the number of times each restaurant patron family goes to a restaurant, had shown some improvement in recent quarters as the rate of decline had been less each quarter. No improvement was seen in the Winter Quarter, with visit frequency decreasing 7.2 percent from the year earlier quarter, compared to the smaller 1.1 percent decrease in the previous quarter. This decline in visit frequency rather than a drop in the number of families eating out was the primary reason for the current quarter's poor performance. Information from the Gallup "Monthly Monitor of Eating Out" also suggests that the public is not eating out as much. For the first time the "Monitor" recorded two consecutive months (January and February) where less than 30 percent of the adult population had eaten out for any meal in the past twenty-four hours.

When visit frequency by restaurant type is analyzed, most of the decrease is attributed to cutbacks in visits to coffee shops, take out restaurants and fast food restaurants. On the other hand, visit frequency was up at cafeterias and at atmosphere/specialty restaurants.

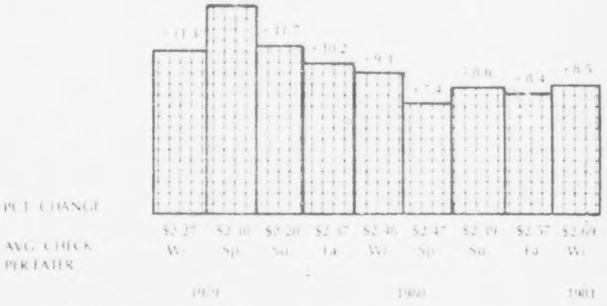
The number of families eating out (family reach) decreased slightly in the most recent CREST period, with the total number of families visiting a restaurant in the two week period off by 0.5 percent from the Winter Quarter of 1980. This compares to a gain of almost one percent in each of the previous two quarters.

Percent Change in Quarterly CREST Sales (Winter '79-Winter '81)



sales based on total U.S., average for 2 week period each quarter
SOURCE: CREST.

Average Per Person Check* (Winter '79-Winter '81)



*Based on average two week period.
SOURCE: CREST.

Restaurant Sales Increase 1.8 Percent

Restaurant industry sales rose only 1.8 percent in the Winter Quarter, posting the smallest gain since Spring 1980 and well below last quarter's 9.8 percent increase.

The average expenditure for a restaurant meal or snack (Eater Check Size) increased 8.5 percent for all restaurants in the Winter Quarter, approximating the previous quarter's 8.4 percent gain. Fast food, take out restaurants and coffee shops experienced double-digit increases in their average per person check size while cafeterias and atmosphere/specialty restaurants had moderate increases in average check size of 2.3 percent and 1.8 percent, respectively. The moderate gain in per person check size at these two restaurant types as well as changes patrons may have made in the number and type of menu items ordered probably contributed to the moderate rise in check size for all restaurants.

Consumers curtailed their number of visits to restaurants in the most recent quarter most likely because of the double-digit increases in per person check sizes at many restaurant types as well as the substantial increase in the price of gasoline. The consumer is feeling a pinch from higher prices of other goods and services as well. Inflation as measured by the Consumer Price Index increased 11.6 percent in the 1981 CREST Winter Quarter from the year earlier period.

Percent of Occasions Utilizing a Promotion

	Winter (D-F)	Spring (M-M)	Summer (J-A)	Fall (S-N)
1979	7.7%	6.7%	6.4%	7.7%
1980	8.7%	8.7%	7.8%	9.0%
1981	10.3%			

SOURCE: CREST

Promotional Activity at all Time High

Restaurant operators are continuing to use promotions as a means of increasing customer traffic. In the Winter Quarter 10.3 percent of the meal occasions included a promotion, considerably higher than the 9 percent of the occasions in the previous quarter.

A look at promotional usage by restaurant type shows that fast food, family and atmosphere/specialty restaurants have the highest percentage of use. Fast food restaurants experienced a considerable increase, rising to 14.2 percent of the occasions in the Winter Quarter from 11.8 percent in the previous CREST period. At family and atmosphere/specialty restaurants promotions were utilized at 9.5 and 9.6 percent of the occasions, respectively.

Traffic Declines at all Restaurant Types

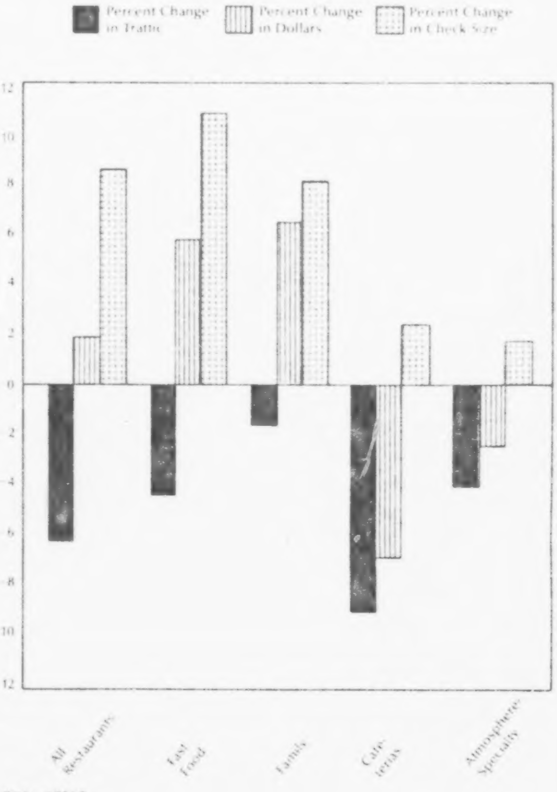
Customer traffic declined at all restaurant types in the most recent CREST quarter. Above average increases in check size, fewer families visiting restaurants and some families eating out less often explain this poor performance.

Traffic fell 1.5 percent at family restaurants, the smallest decline for any restaurant type, versus the 5.3 percent gain experienced in the Fall Quarter. The average check size increased 8.0 percent for this restaurant type, slightly less than the 8.5 percent gain for all restaurant types. This along with only a slight drop in the number of families eating out may have helped to slow the decline in customer traffic for family restaurants.

Fast food restaurant traffic fell 4.3 percent in the most recent quarter compared to a gain of 3.5 percent in the prior (Fall) Quarter. This decline is attributed to the 5.2 percent drop in visit frequency in the Winter Quarter as well as fewer families were eating out at this restaurant type. The average check size increased 10.8 percent during this period representing the first double-digit check increase for fast food units since the same quarter last year.

Customer counts at atmosphere/specialty restaurants fell 4.0 percent in the Winter Quarter from the prior year's period. Visit frequency increased 0.4 percent for this restaurant type in the most recent CREST period. The moderate increase in the per person check size of 1.8 percent and the slight increase in visit frequency probably helped to lessen the decline in traffic. Both coffee shops and take out restaurants experienced large declines in traffic in the Winter Quarter with customer counts down 15.1 percent and 17.4 percent, respectively. Double-digit price increases plagued both of these restaurant types, contributing to their poor performance. The large drop in customer counts for these two restaurant types was a significant factor in the 6.1 percent decline for all restaurants.

Winter Quarter Performance by Select Restaurant Type



SOURCE: CREST

Breakfast Traffic Declines 2.1 Percent

Breakfast traffic declined 2.1 percent in the most recent CREST period, following five consecutive quarters of increase. The primary reason was that fewer families were eating out for the morning meal. Breakfast is a more discretionary meal to eat out, and the continued squeeze on disposable income probably caused many consumers to forego eating out for breakfast.

Traffic for the noon-day meal fell 5.1 percent in the Winter Quarter from the same period a year earlier. Lunch traffic, which has been depressed since the Spring Quarter of 1979, had begun to show some improvement with a decline of only 1.2 percent in the Fall Quarter. This meal occasion provides easy alternatives to eating out, and given the winter weather, more people may have opted to stay indoors and eat at work or school cafeterias, "brown-bag" or skip the meal entirely, contributing to the poorer performance. Lunch menu prices rose a moderate 7.1 percent in the Winter Quarter compared to the larger 8.5 percent gain for all restaurants.

Supper traffic fell 4.6 percent in the Winter Quarter after increasing 3 percent in the Fall Quarter. The 3.7 percent decline in visit frequency as well as fewer families eating out for this meal period accounts for much of the poor performance. Snack traffic also declined in the current CREST Quarter following an increase of almost 2 percent in the previous quarter. The double-digit increase in per person check size and the decline in visit frequency contributed to this decline.

WHAT IS CREST

Launched in September 1975, The CREST (Consumer Reports on Eating Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study does track chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor. Readers wishing more information on how to participate in the CREST study should contact NPD Research, 9801 West Higgins Road, Rosemont, Illinois 60018.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

1. More interest in preparing foods from scratch
2. Belief that natural foods are better for you
3. Belief that ethnic foods are better for you

Wood pointed out that consumers are beginning to realize that what they eat out is important to their overall diet. Gallup has questioned consumers about the nutritional value of the food they eat in restaurants versus the food they eat at home, and the answers have been summarized in the accompanying table.

IS THE FOOD YOU EAT AS NUTRITIOUS OR LESS NUTRITIOUS THAN WHAT YOU EAT AT HOME?

Not as nutritious	53%
More nutritious	4%
As nutritious	36%
Don't know	7%

Wood believes that in the Eighties healthfulness will be more important than nutrition to consumers. Consumers will be especially concerned with salt, fat and sugar content of the foods they eat as well as desiring quality food products. Gallup research has indicated that 40 percent of the restaurant operators have noticed changes in consumer eating out habits, with the most frequently noted changes being:

- Eating more salads
- More patrons indicating they are on a diet
- Eating more vegetables
- Eating more seafood

Wood then went on to discuss some of the more important demographic changes which would take place in this decade and what impact they will have on the restaurant history. Two primary changes would be:

- Continued desire on the part of women to work
- Aging of the population

The working woman, or more specifically the working wife, is experiencing a conflict between the increasing demands on her time and her desire to serve her family healthful foods. She is preparing more meals from basics for her family, and the family continues to eat out. In addition, the working wife's spouse is becoming more involved in meal preparation, with the proportion of husbands in the kitchen growing from 10 percent to 33 percent in the past five years. Gallup research has indicated that households where the husband is more involved in the meal preparation use more convenience foods, own more kitchen appliances and eat out more frequently. Wood pointed out that there is a significant implication for restaurant advertising in this trend, with such advertising directed more toward males.

The aging of our population during the Eighties will result in a larger over 60 market. These people eat out less frequently, with only 19 percent of the 60+ group saying they had eaten out yesterday versus 32 percent overall, according to the "Gallup Monthly Monitor." Persons from this group prefer a family style restaurant when they eat out. They are becoming more affluent, and Wood believes they can become a prime target market for eating out in this decade.

Wood ended his presentation with a brief discussion on convenience stores. He indicated that a recent Gallup survey reported that about 20 percent of the adult population stated that they had purchased fast food items at a convenience store at some time and that 57 percent stated that they would purchase fast food from such an establishment. The highest proportion of the likely group was among older people and men. Wood stated that the demographics of the convenience store shopper were very similar to those of the eating out public and that convenience store sales of fast food would be a growing market in the Eighties.

Bill Hale Points Out How Market Research Can Be Used in the Strategic Planning Process

Bill Hale of Technomic Consultants discussed the areas of the strategic planning process where market research can be of assistance. He stated that market research can provide data on the organization's operating environment, data on the overall restaurant industry, data on the organization itself and data on consumers and their eating out habits. All of this information will help those directly involved in the strategic planning process to determine strengths, weaknesses and opportunities for the organization, according to Hale.

Hale stated that market research can be especially helpful to the planning process in determining the organization's overall position in relation to that of its competitors. Specifically, research can provide information on:

- Market penetration
- Concept differential and appeal
- Leverage
- Product pricing
- Profitability

WHOLESALE FOOD PRICES BEGIN RISING

Wholesale food prices have begun to rise, and many economists expect to see substantial increases, especially for red meat, before the year ends. During the first four months of this year, wholesale food prices for restaurants averaged 6.2 percent higher than in the same period in 1980, according to NRA's Food Cost Index. In comparison, overall wholesale food prices increased at a considerably faster pace of 8.6 percent, according to the Bureau of Labor Statistics *Producer Price Index*. Declines in prices for beef, veal, fish and shellfish in the first four months have helped keep food costs for restaurateurs from rising too dramatically; however, increases in prices for pork, poultry and eggs, vegetables and dairy products have exerted some upward pressure on overall food prices.

In the following paragraphs of this report, we have briefly reviewed the short term outlook for beef, pork, chicken, eggs, vegetables, sugar and dairy products.

Red Meat and Poultry Production

COMMODITY	1980				1981*	
	I	II	III	IV	I	II
Beef (mil. lbs.)	5,244	5,250	5,383	5,587	5,550	4,950
Pork (mil. lbs.)	4,124	4,300	3,757	4,250	3,950	4,000
Veal (mil. lbs.)	91	89	95	103	100	90
Lamb (mil. lbs.)	80	77	72	82	85	80
Chicken (mil. lbs.)	2,722	2,923	2,759	2,685	2,780	2,975
Turkey (mil. lbs.)	374	523	705	701	400	555

*Forecast

SOURCE: U.S. Department of Agriculture

BEEF. Wholesale prices for beef averaged nearly 4.0 percent lower during the first four months of 1981 versus the same period in 1980, according to *Producer Price Index* data. Production of grain fed and grass fed beef was up about 5 to 7 percent in the first quarter of this year, but USDA economist Ron Gustafson expects production to drop in the second quarter. This decrease will be the result of reduced fall and winter feedlot placements and a decline in grass fed slaughter. Additional feedlot cattle are available to go on feed this Spring, but Gustafson believes that continued feedlot losses, high feeding costs and an uncertain economy will make increased feedlot placements unlikely. (Grain fed cattle provide the choice cuts of beef, while grass fed cattle provide the hamburger-type beef.)

Cattle prices are expected to rise this Spring, but USDA's Gustafson feels that feedlot operators will still not be able to cover all their costs. Choice steer prices will average about $63 per hundredweight in the first quarter, down 6 percent from 1980's first quarter. In the second quarter, prices are predicted to rise to about $73, an increase of nearly 13 percent from the same period last year and a 16 percent advance from this year's first quarter. Gustafson believes that favorable grazing prospects, good spring planting conditions and declining interest rates could put further upward pressure on beef prices later this year due to the fact that fewer cattle would be put on feed.

PORK. Commercial pork production was down about 5 percent in the first quarter compared to the same period last year. Second quarter production is expected to be 6 to 8 percent smaller than in 1980 but slightly larger than production in the first quarter. Overall, pork production has not dropped as drastically as some USDA economists expected last fall, however. Since producers are still not able to cover all their costs despite high prices, further reductions in pork supplies can be expected later this year.

Pork prices averaged about $43 per hundredweight in the first quarter, up from $36 in 1980's first three months. Second quarter prices are expected to average around $45, an increase of 44 percent over the same period a year ago.

CHICKEN. Chicken production in the first half of 1981 is expected to be approximately 2 percent higher than a year earlier. If profits improve this summer and if tight supplies of hatching eggs do not limit expansion USDA economist Allen Baker expects second half production to be 5 to 7 percent above last year.

Export demand has helped elevate chicken prices even with increased production and higher than expected pork supplies, both of which are expected to continue through the remainder of this year. Prices averaged about 51 cents a pound in the first three months, up from 43 cents in 1980. Second quarter prices will probably average 53 cents a pound, a substantial 29 percent rise over 1980's 41 cents.

EGGS. Producers are operating at or slightly below the break even point so far in 1981, and as a result, they are attempting to cut back on production. Egg production in the first half of 1981 will be about one percent less than in 1980, but second half production is expected to be about 2 percent higher, especially if egg prices strengthen.

Egg prices at the wholesale level averaged about 73 cents a dozen in this year's first quarter, up nearly 18 percent from the same period in 1980. Second half prices should remain at the 73 cent level.

VEGETABLES. Smaller acreages of the major fresh vegetables, plus the damaging January freeze in Florida, have pushed fresh vegetable prices up 61.9 percent in the first four months of this year compared to the first four months of last year. Total supplies of fresh vegetables from Florida dropped an estimated 12 to 18 percent this year. However, increased suppliers of fresh vegetables from the Western and Southwestern states in the coming months should provide some price relief.

Smaller supplies and increased marketing costs will keep prices of canned and frozen vegetables substantially higher in 1981 than in 1980. Some relief in prices may occur later this summer as supplies increase seasonally.

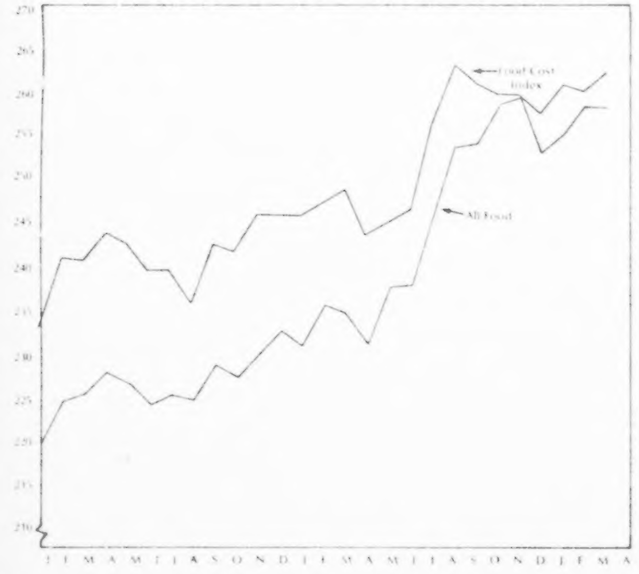
SUGAR. World sugar consumption in 1981 is expected to outpace production, putting further upward pressure on sugar prices. World sugar consumption and production should reach equilibrium during the 1981/82 year, and this could mean lower prices later this year and into 1982. Sugar prices have declined in recent months but still remain 23 percent above last year's level.

U.S. sugar consumption has been declining, probably reflecting the inroads of high fructose corn sirup (HFCS). Despite higher corn prices, HFCS sweeteners have been selling at discounts estimated at 20 to 40 percent below sugar.

DAIRY PRODUCTS. Milk production will show substantial gains during the first half of 1981, and the expanded output along with abundant commercial dairy product stocks will keep wholesale dairy prices near USDA purchase price levels. The defeat of the April first increase in the dairy price support should help to moderate prices for all dairy products this year.

Production in the second half of 1981 is likely to be approximately 2 percent above a year earlier, but commercial use should increase because of expected rises in consumer income and meat prices. Therefore, overall dairy prices, at both the wholesale and retail levels, are expected to rise more rapidly in the latter half of this year.

NRA's Food Cost Index
vs.
All Food, Producer Price Index



SOURCE: Bureau of Labor Statistics, *Producer Price Index*, NRA.

Commodity Price Index
Percent Change

COMMODITY	1979-1980	Apr. '80-Apr. '81	4 Mos. '80-4 Mos. '81	Mar. '81-Apr. '81
Bakery Products	11.7%	8.7%	8.5%	0.5%
Flour and Cereal	12.3	10.6	10.5	1.0
Beef and Veal	3.2	(2.4)	(3.5)	0.3
Other Meats	(2.7)	19.6	12.9	(1.7)
Pork	(4.0)	23.6	15.0	(1.8)
Lamb	(0.4)	NA	NA	NA
Poultry and Eggs	1.0	17.4	14.1	(4.1)
Poultry	2.5	13.5	14.0	(8.4)
Eggs	(2.8)	22.7	14.3	8.7
Fish and Shellfish	(3.2)	0.2	(4.1)	1.3
Sugar and Sweets	35.4	9.5	(20.6)	(2.8)
Sugar	49.6	18.1	(4.1)	(5.5)
Vegetables	7.5	43.7	42.8	(2.1)
Fresh Vegetables	8.6	60.3	61.9	(4.6)
Fruits and Juices	4.2	0.3	5.3	2.1
Fresh Fruit	4.1	(3.6)	(8.4)	2.0
Beverages	0.8	(2.7)	(2.6)	NC
Dairy Products	12.1	7.9	9.9	NC
Fats and Oils	6.4	5.1	4.1	0.4
NRA Food Cost Index	**5.0%**	**7.4%**	**6.2%**	**(0.2%)**
All Food, Producer Price Index[1]	**8.0%**	**8.6%**	**8.6%**	**(0.6%)**

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics, NRA.

NRA Annual Directory Printing

The NRA 1981-82 annual directory "Who's Who in Foodservice", will be printed in June, 1981. The names and addresses in the directory will reflect NRA mailing information as of June 1, 1981. If you need to make an address change, please remove your label, mark the changes, and return it to the Membership Services Department, NRA, 311 First Street, N.W., Washington, D.C. 20001.

INTERESTED IN MARKET RESEARCH?

If you have an interest in market research at your foodservice organization and if your organization is a member of NRA, you may be interested in participating in the National Restaurant Association's Market Research Group. The group meets twice a year to discuss such topics as:

- The role of market research in restaurant brand evolution
- Market research uses of data base information systems
- Research techniques for testing advertising
- Secondary research sources
- Research techniques for determining new products.

The Market Research Group is able to bring together those persons directly involved in market research for the restaurant industry to hear from industry experts and to discuss new research techniques among themselves. The next meeting is to be held in New Orleans, Louisiana on October 7 through 9.

If you are interested in the Market Research Group and wish to be notified of future meeting topics and dates, including the upcoming October meeting, please complete the following form and return to: National Restaurant Association, 311 First Street, N.W., Washington, D.C. 20001, Attention: Bette Hoyt.

NAME

TITLE

ORGANIZATION

ADDRESS

PHONE NUMBER

Industry Index

RETAIL SALES (000,000)	**March 1981**	**Percent Change vs. Year Ago**	**Year to Date Sales March 1981**	**Percent Change vs. Year Ago**
All Retailers	$83,894	+10.4%	$235,549	+8.4%
Eating & Drinking Places	$ 7,546	+ 9.2%	$ 21,434	+9.4%
Food Stores	$18,653	+ 6.3%	$ 55,287	+8.7%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (March)	**Percent Change vs. Year Ago**	**Percent Change 1981 to Date vs. Year Ago**
Food at Home	+10.3%	+10.5%
Food Away from Home	+ 9.6%	+ 9.8%
All Items Less Food	+10.5%	+11.2%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	**Feb. 1981**	**Percent Change vs. Year Ago**	**Year to Date Sales**	**Percent Change vs. Year Ago**
Eating Place Sales	$5,904	+7.6%	$12,104	+8.7%

	Percent Change vs. Year Ago	**Percent Change Year to Date vs. Year Ago**
Real Eating Place Sales (Feb.)	(2.6%)	(2.6%)

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	**Feb. 1981**	**Percent Change vs. Year Ago**
Total Employment	4,726.2	+4.3%
Nonsupervisory Employment	4,339.2	+4.0%
Nonsupervisory Average Hourly Earnings	$3.91	+7.1%
Average Weekly Hours	25.8	+1.1%

(Source: Bureau of Labor Statistics.)

NRA FOODSERVICE TRENDS

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Washington, D.C. 20001
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NATIONAL
RESTAURANT
ASSOCIATION

FOODSERVICE TRENDS

A Supplement to the
Washington Report
June 12, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

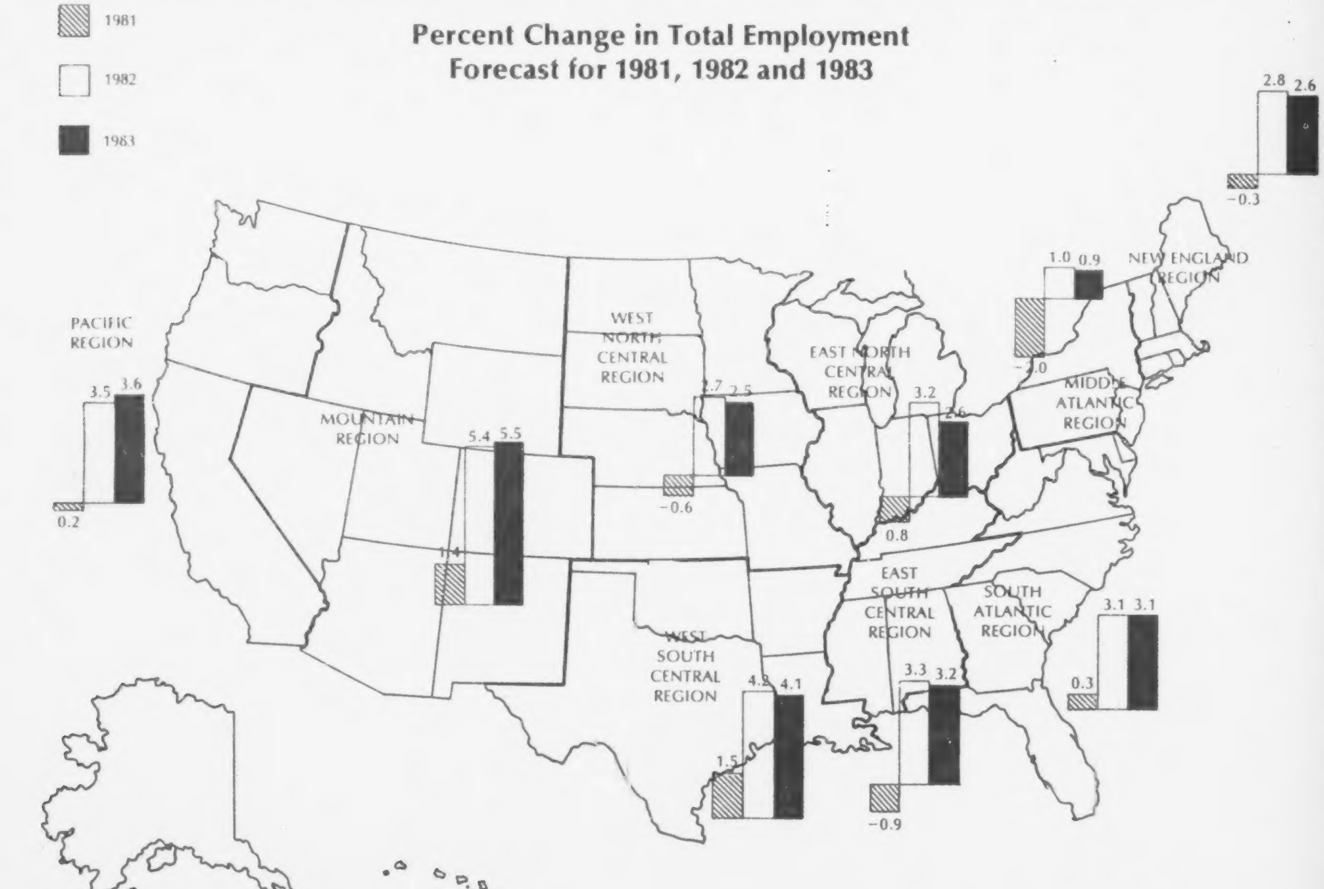
REGIONAL ECONOMIC OUTLOOK FOR THE 1980's

The impact of the recession that started in 1980 has varied from region to region throughout the United States. Those regions that are highly industrialized and rely on durable goods manufacturing such as auto, steel and rubber have been most adversely affected, while regions which are more dependent on energy and related industries experienced only a slight slow down in their normal growth pattern.

Regional economic performance in the 1980's will be influenced by industrial mix. Rapid employment, income and population growth is forecast for areas that are dependent on energy related industries and manufacturing of technological equipment such as computers. Those that still rely on durable goods manufacturing are forecast to have the slowest economic expansion.

State and regional economic forecasts for the 1980's have been published by the U.S. Department of Commerce Bureau of Economic Analysis and the Chamber of Commerce of the United States. NRA has summarized these forecasts as an update to the regional information published in the August, 1980 and December, 1980 issues of *Foodservice Trends*. We believe that this regional information is helpful to operators in under-

Percent Change in Total Employment Forecast for 1981, 1982 and 1983


▨ 1981
☐ 1982
■ 1983
PACIFIC REGION
3.5
3.6
0.2
MOUNTAIN REGION
5.4
5.5
1.4
WEST NORTH CENTRAL REGION
2.7
2.5
-0.6
WEST SOUTH CENTRAL REGION
4.2
4.1
1.5
EAST NORTH CENTRAL REGION
3.2
2.6
0.8
EAST SOUTH CENTRAL REGION
3.3
3.2
-0.9
SOUTH ATLANTIC REGION
3.1
3.1
0.3
MIDDLE ATLANTIC REGION
1.0
0.9
-.0
NEW ENGLAND REGION
2.8
2.6
-0.3

SOURCE: US Chamber of Commerce, Forecast Center, NRA

3

standing the impact of economic conditions on their overall business.

The regions expected to have the most rapid growth during the next few years are the Mountain and West South Central Regions. (See map for states in these regions.) These regions have not been adversely affected by past recessions and have stronger economies as a result. In addition, they have benefited from an increasing population, abundant energy resources and industries such as computers and electronics which are resilient to a declining economy. The nation's "energy crisis," which resulted in the decontrol of domestic oil prices, has brought outstanding growth to the states in the Mountain and West South Central areas. On the other hand, the highly industrialized East North Central, Middle Atlantic and New England Regions will experience the slowest growth in the early 1980's because they are dependent on cyclically sensitive auto and steel industries for employment and income. The population growth in these regions will be extremely slow in the next decade as unemployed workers migrate to the "Sunbelt States" seeking more secure employment.

In the following sections of this report we present highlights on the short term economic outlook for each of the nine census regions.

New England Region

The economy of the New England Region fared better in the 1980 recession than in previous ones, and this improved performance is attributed to changes in the industrial mix. The area has become less dependent on durable goods manufacturing and more dependent on defense related and high technology industries such as computers and communications. This change in industrial mix has slowed the decline in the region's share of total U.S. manufacturing employment. After falling significantly from 8.7 percent in 1960 to 7.2 percent in 1979, the region's share of manufacturing employment is forecast to post a slight increase to 7.4 percent in 1983, according to the U.S. Chamber Forecast Center.

Although growth in the New England Region is forecast as one of the slowest in the nation during the next few years, it will record the best performance of the regions that comprise the nation's oldest industrial center (Middle Atlantic, New England and East South Central). Employment is forecast to increase 2.8 percent in 1982 and 2.6 percent in 1983, following a slight decline of 0.3 percent this year. Manufacturing employment will account for most of the gain. Real personal income is projected to increase 2.2 percent in 1981, but will rise at a slower rate of 1.7 percent in 1982 and 2.5 percent in 1983. The region will experience no population growth in 1981, but a slight increase of 0.6 percent has been projected for both 1982 and 1983 by the U.S. Chamber Forecast Center.

Percent Change in Real Personal Income

	1981	1982	1983
New England	2.2%	1.7%	2.5%
Middle Atlantic	0.7	0.1	1.0
South Atlantic	2.8	2.7	3.4
East North Central	1.4	2.3	2.7
East South Central	2.0	3.4	3.8
West North Central	1.5	2.2	2.7
West South Central	3.7	3.7	4.2
Mountain	3.3	4.0	4.8
Pacific	2.9	3.0	3.6
Total U.S.	2.1	2.3	3.0

SOURCE: U.S. Chamber of Commerce, Forecast Center

Middle Atlantic Region

The Middle Atlantic Region is forecast to have the slowest overall economic growth in the nation for the short term and the decade as well. This is due to two factors, including the area's dependence on durable goods manufacturing as a major source of employment and income and outdated industrial plant and equipment. Industries are moving out of the area to the Sunbelt states where energy costs, wages and tax rates are lower.

This region's share of total U.S. manufacturing employment has fallen considerably from 24.6 percent in 1960 to 17.5 percent in 1979 and is expected to decline even further to a 16.6 percent share in 1983. As a result, employment growth is projected to be slow, declining 2.0 percent in 1981 and gaining only 1.0 percent in both 1982 and 1983.

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Increases in income and population are expected to be small as well. Real personal income will rise less than 1.0 percent in 1981 and 1982 and only 1.0 percent in 1983. Population in the Middle Atlantic Region is forecast to decline 0.3 percent for each of the next two years and should show almost no growth throughout the remainder of the decade.

East North Central Region

The East North Central Region was one of the hardest hit in the 1980 recession because of the area's dependence on the housing and automobile industries. Manufacturing employment declined 8 percent and total non-farm employment fell 2.3 percent, according to the U.S. Chamber Forecast Center. This region has the largest share of total U.S. manufacturing employment, 24.4 percent in 1979, but this share is predicted to drop slightly to 23.3 percent in 1983.

Because of its dependence on volatile industries, employment, income and population growth in this region are expected to lag the national average for the decade. A decline in employment of 0.8 percent has been forecast for 1981, however, employment will increase at a faster 3.2 percent rate in 1982, and 2.6 percent in 1983. Some strength is expected to return to auto sales as the economic recovery continues accounting for the stronger near term growth in employment. Real personal income growth will be among the slowest in the nation, with projected gains of 1.4 percent in 1981, 2.3 percent in 1982 and 2.7 percent in 1983. Population growth of 1.2 percent is forecast for the area in both 1982 and 1983. For the 1978-1990 period population growth is forecast to rise only 0.5 percent, however. One reason for this slow growth over the long term may be the migration of unemployed workers to the "Sunbelt" where employment opportunities are more plentiful.

West North Central Region

The West North Central Region derives a larger portion of income from the farm sector than any other region in the U.S. As a result, slower growth in employment and income is forecast for the area in the 1980's. Total employment is expected to fall 0.6 percent in 1981, but rise 2.7 percent in 1982 and 2.5 percent in 1983. The non-manufacturing sector, which includes services, will experience gains of only 2.2 percent in both 1982 and 1983. Due to the slow rise in farm income, expenditures for services will be cut back, resulting in slower employment growth in this sector.

Real personal income growth of 1.5 percent is expected in 1981, followed by faster increases of 2.2 percent and 2.7 percent in 1982 and 1983. Population growth of 1.0 percent is predicted for 1981 and will lag the national average in 1982 and 1983 as well with an increase of only 0.6 percent. As mining and energy-related industries become more important to this area as sources of employment and income, they will benefit the area's future economic performance.

South Atlantic Region

While overall economic growth in the South Atlantic Region will not be the strongest in the nation during the next decade, it will be above average. Manufacturers have been and will continue to move into this region because of its lower wage rates, lower energy costs and more advantageous tax structure. The fact that more industries are locating in this region is evidenced by the increased share of total manufacturing employment which rose from 12.2 percent in 1960 to 14.6 percent in 1979. Further increases are projected as the share is expected to reach 15.0 percent in 1983. Total employment growth of 3.1 percent is projected for both 1982 and 1983.

The continuing migration of older retired persons to Florida also accounts for some of this region's income and population growth. Real personal income is projected to rise 2.8 percent in 1981, 2.7 percent in 1982 and 3.4 percent in 1983. Population growth of 1.0 percent is expected in 1981, followed by increases of 1.6 percent in both 1982 and 1983.

East South Central Region

The East South Central Region experienced slow economic growth during the 1980 recession according to the U.S. Chamber Forecast Center. Total nonagricultural employment declined 1.3 percent, one of the steepest declines in the nation. This decline was caused by the region's orientation toward the apparel and food processing industries. Despite this poor performance

Regional Shares of Total U.S. Manufacturing Employment

	1960	1979	1983
New England	8.7%	7.2%	7.4%
Middle Atlantic	24.6	17.5	16.6
South Atlantic	12.2	14.6	15.0
East North Central	26.8	24.4	23.3
East South Central	5.0	6.8	6.7
West North Central	6.0	6.8	6.7
West South Central	0.9	7.8	8.5
Mountain	10.2	12.2	12.8
Pacific	1.6	2.7	3.0

SOURCE U.S. Chamber of Commerce, Forecast Center strong growth is forecast for the decade. Total employment growth of 3.3 percent and 3.2 percent is projected for 1982 and 1983, respectively, following a drop of 0.9 percent in 1981. This region has a small share of total U.S. manufacturing employment which is not expected to increase. Employment growth in the next few years will result from gains in the consumer and non-manufacturing industries.

Real personal income will rise 2.0 percent in 1981 and increase at a faster rate of 3.4 percent in 1982 and 2.3 percent in 1983. The population is expected to increase 1.0 percent in 1981 and 1.2 percent in both 1982 and 1983.

West South Central Region

The West South Central Region has one of the highest economic growth rates forecast for the U.S. in the next decade. This region felt little of the 1980 recession, experiencing only a slight slowdown in economic activity. The area is dependent on energy-related industries, and the decontrol of domestic oil prices has benefited it by increasing employment opportunities and income. Population growth in the region was one of the most rapid in the U.S. during the 1970's and is expected to continue into this decade. The U.S. Chamber of Commerce Forecast Center has projected increases of 2.2 percent and 2.3 percent in 1982 and 1983.

Total employment is projected to increase 1.5 percent this year, 4.2 percent in 1982 and 4.1 percent in 1983, making this one of the nation's most rapidly growing regions. Gains are expected in both manufacturing and non-manufacturing employment, a result of growth in energy and related industries. This region has the largest energy production and refinery capacity of any in the U.S., and also has become the world center for energy technology. This has brought about increased activity for services such as energy research and development.

Real personal income gains of 3.7 percent are predicted for both 1981 and 1982 followed by a 4.2 percent gain in 1983. This is considerably faster than the gains for the same years of 2.3 percent and 3.0 percent projected for the total U.S.

Mountain Region

Overall economic growth in the Mountain Region is forecast as the most rapid in the nation for the next decade. The 1980 recession had almost no affect on this area, and as a result, it is probably the healthiest region economically in the U.S. The region's strong performance is attributed to its lack of dependence on manufacturing as a source of income and employment. Construction, services and trade have become the important employers in the area because of the population gains of the past 20 years. Mining and rapidly developing industries such as nonelectrical machinery, electronic equipment and fabricated metals will contribute significantly to this region's growth in the next 10 years.

Total employment is expected to rise 1.4 percent in 1981, but stronger gains of 5.4 percent and 5.5 percent are forecast for 1982 and 1983. Both the manufacturing and the non-manufacturing sectors will experience significant employment gains.

Population growth will be the most rapid in the nation, increasing 3.0 percent in 1981 and 3.1 percent in both 1982 and 1983. The region will also experience the strongest gains in real personal income. The U.S. Chamber predicts that states in this area will experience increases of 3.3 percent in 1981, 4.0 percent in 1982 and 4.8 percent in 1983.

Pacific Region

Employment, income and population in the Pacific Region will increase at a considerably faster rate than the total U.S. throughout the 1980's. Although total employment is forecast to decline 0.2 percent in 1981, strong growth of 3.5 percent and 3.6 percent in 1982 and 1983 is expected. Most of the gains will be in manufacturing employment stemming from the high technology industries such as computers and electronic components. Employment in the non-manufacturing sector will increase as well. Services, such as consulting, will be in strong demand because of growth in these high technology industries.

Real personal income is expected to rise 2.9 percent in 1981, 3.0 percent in 1982 and 3.6 percent in 1983. The population will continue to increase quite rapidly in this area during the next few years. The U.S. Chamber Forecast Center predicts growth of 2.2 percent and 2.3 percent for 1982 and 1983.

Percent Change in Population

	1981	1982	1983
New England	NC	0.6%	0.6%
Middle Atlantic	NC	(0.3)	(0.3)
South Atlantic	1.0%	1.6	1.6
East North Central	NC	0.5	0.7
East South Central	1.0	1.2	1.2
West North Central	1.0	0.6	0.6
West South Central	2.0	2.2	2.3
Mountain	3.0	3.1	3.1
Pacific	2.0	2.2	2.3
Total U.S.	1.0	1.2	1.2

SOURCE U.S. Chamber of Commerce, Forecast Center

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FOODSERVICE TRENDS

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NRA REPORTS 1981 INDUSTRY SALES TO REACH $125.6 BILLION

The National Restaurant Association has published revisions to its foodservice industry sales figures for 1970 through 1980 in its latest publication, *Foodservice Sales Panorama*. (Readers wishing to order this new 47 page report should see the box on page 12.) These revisions to our sales figures are based on new information from the U.S. Bureau of the Census and other industry and government sources. The changes have made necessary certain revisions to our 1981 sales projections as well. (These figures were originally presented in the December 1980 *Foodservice Trends.)*

We now estimate that 1981 foodservice industry sales will reach $125.6 billion, up from $114.0 billion in 1980. (Our original 1980 and 1981 sales levels were $111.3 billion and $122.7 billion respectively.) The accompanying table highlights the revised sales levels for the industry's major segments. Readers should note that percent changes in both current and constant dollars between 1980 and 1981 remain unchanged.

Foodservice Industry Sales
1980-1981

	Sales (000)		Percent Change	
	1980	1981	Current Dollars	Constant Dollars
Commercial Feeding	$ 96,209,109	$106,118,647	10.3%	0.4%
Eating Places	67,701,826	74,896,414	10.6%	0.6%
Restaurants, Lunchrooms	36,037,601	39,533,248	9.7%	(0.3%)
Limited Menu Restaurants	27,434,837	30,809,322	12.3%	2.3%
Commercial Cafeterias	2,163,965	2,317,606	7.1%	(2.9%)
Social Caterers	775,944	806,206	3.9%	(6.1%)
Ice Cream, Frozen Custard Stands	1,289,479	1,430,032	10.9%	0.9%
Institutional Feeding	17,216,690	18,938,359	10.0%	(0.2%)
Total Industry	$114,011,143	$125,640,280	10.2%	0.3%

Sources: Malcolm Knapp, Inc.; National Restaurant Association.

NRA OFFERS NEW *MEAL CONSUMPTION BEHAVIOR* STUDY

The National Restaurant Association is able to offer summary tables and detailed statistical tables for the meal consumption study described in the following two articles in a new study entitled "Meal Consumption Behavior." The cost of this publication is $12.50 for members and $25.00 for non-members. Interested persons can order it by contacting NRA's Educational Materials Center, 311 First Street, N.W., Washington, D.C. 20001. (Members please specify order number CS 100 and non-members specify order number CS 101 when ordering "Meal Consumption Behavior.")

NEW NRA STUDY PROVIDES INFORMATION ON MEALS PREPARED AWAY FROM HOME VERSUS AT HOME

Highlights

- **The average person age 8 or older eats out 3.5 times during a seven day period.**
- **Lunch is the meal most likely to be eaten out, with 51 percent of the persons 8 years and older stating they had eaten out for lunch at least once in the past seven days.**
- **Males eat out more frequently than females. This is especially true for lunch where 54.9 percent of the males have eaten out for lunch compared to 46.4 percent of the females.**
- **Persons 22 to 40 eat out more frequently than persons in other age groups, while persons 65 and over eat out infrequently.**
- **Eating out behavior varies with household size, with persons from single households eating out more frequently than others.**
- **Persons from upper income households are more likely to eat out for lunch and dinner than persons from lower income households.**

In April, the National Restaurant Association contracted with National Family Opinion, Inc. to conduct a consumer study to determine where an individual's meals are prepared and what meals are skipped. Questionnaires were mailed to 10,000 households and each household member age 8 or older was requested to respond to the question, "Record for the past 7 days the number of meals prepared privately at home or at a friend's home, prepared commercially in a restaurant, school or work cafeteria or skipped." The three major meal periods were included in our survey; however, snacks were excluded.

This study collected information on meal consumption behavior for 13,466 adults and children. Previously we have not had access to such data since CREST information provides us with family eating out behavior only. In addition, survey results from both Gallup and Roper on where meals are prepared and consumed are limited to adults 18 years and older. The accompanying chart clearly depicts the distribution of where weekly meals are prepared by age and sex. Of all weekly meals consumed, seven out of ten are prepared at home or at a friend's home, two out of ten are prepared commercially and one out of ten are skipped. However, these meal consumption patterns do vary by meal period and this is especially true of lunch where over three out of ten lunches are eaten in restaurants or school and work cafeterias. We believe that the information from this NRA consumer study will provide some new and much needed insight into individual meal consumption behavior, offer unique opportunities to foodservice operators and can be beneficial in planning advertising and promotional campaigns and in identifying potential new market segments.

Lunch is Most Likely Meal To Be Eaten Out

Survey results revealed that the average person 8 years or older eats out for 3.5 meals in a 7 day period compared to 14 meals consumed or prepared at home. Lunch is the most likely meal to be eaten out, with the average respondent dining out or eating commercially prepared lunches two times a week versus 1.1 times for dinner and 0.4 times for breakfast. In comparison, the average respondent consumes about 5 breakfasts, 4 lunches and 5 dinners which were prepared at home or at a friend's home. (For information on meals skipped readers should refer to the article immediately following this one.) CREST and Gallup research data also report that lunch is the meal most frequently eaten outside the home.

Over half (51 percent) of the persons 8 years or older have eaten out for lunch at least once in the past seven days compared to a slightly lower 47.2 percent for dinner and only 15.1 percent for breakfast. In addition,

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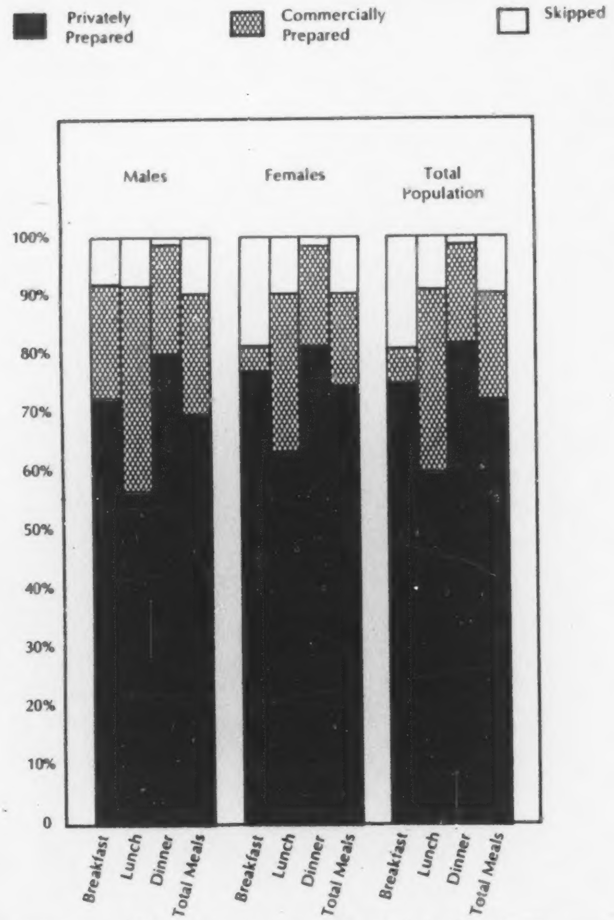
Distribution of Where Meals Are Prepared by Meal Occasion and Sex



Source: National Restaurant Association, Research and Information Services Department.

lunch is the meal which is prepared commercially most frequently. As shown in the accompanying table, one fourth of the survey respondents stated that they had eaten out for lunch at least five times during the past seven days. This probably reflects the high proportion of commercially prepared meals at school and work cafeterias as well as the high incidence of those in the work force who have little or no alternative but to go out for the noon day meal. The frequency of home prepared lunches, however, is still considerably greater than that of commercially prepared ones. Nearly half of the respondents reported that 5 to 7 of their lunches each week are prepared or eaten at home.

Males Eat Out More Frequently Than Females

Males have a greater tendency to eat out (or eat commercially prepared food) than females, and this is especially true for lunch. In the past seven days 54.9 percent of the male respondents have eaten out for lunch at least once compared to 46.4 percent of the female respondents. In addition, males eat out for lunch more frequently, with three out of ten reporting they had eaten commercially prepared food for the noon day meal on five or more occasions versus two out of ten females. Labor statistics indicate that there are more men than women in the work force, and this probably explains in great part why males eat out for lunch more than females.

Frequency of Place of Preparation by Meal Occasion

Meal Occasion	Prepared Privately	Prepared Commercially	Skipped
Breakfast			
At least once	81.3%	15.1%	26.6%
1-2 Times	7.5%	9.2%	5.5%
3-4 Times	6.2%	2.7%	4.9%
5-7 Times	67.6%	3.2%	16.2%
None	18.7%	84.8%	73.3%
Lunch			
At least once	75.8%	51.0%	15.9%
1-2 Times	17.1%	17.7%	7.3%
3-4 Times	9.1%	8.2%	3.2%
5-7 Times	49.6%	25.1%	5.4%
None	24.3%	49.0%	84.1%
Dinner			
At least once	88.6%	47.2%	4.8%
1-2 Times	3.1%	33.2%	3.3%
3-4 Times	10.0%	9.0%	0.9%
5-7 Times	75.5%	5.0%	0.6%
None	11.3%	52.6%	95.2%

Note: Totals may not add to 100% due to rounding.

Source: National Restaurant Association, Research and Information Services Department.

Persons who eat breakfast in restaurants or order take out breakfasts are more likely to be male than female. Eighteen percent of the males said they had eaten out for breakfast on at least one occasion in the past seven days while the proportion of females was a considerably lower 12.2 percent. Labor force participation again probably explains this phenomenon.

Our survey revealed that both men and women are about equally likely to eat out for dinner. The evening meal is usually regarded as a more social occasion often requiring the presence of friends or relatives as opposed to the more necessary nature of the noon day meal which is often eaten alone or with business associates.

Persons 22 To 40 Eat Out More

Respondents in the 22 to 40 age group are more likely to eat commercially prepared food than respondents in other age groups, as shown in the chart on the next page.

Over half of the persons who are between 22 and 40 years old have eaten out at least once in the past week for lunch and dinner and nearly 20 percent have had breakfast at a restaurant on one or more occasions. This age group, represented by many singles and with a high proportion of members in the work force, may find eating out to be more convenient and requiring less time than eating at home.

Nearly seven out of ten respondents age 21 and under have eaten out for lunch one or more times in the past week, which is a greater proportion than for any other age group. In addition, 47.0 percent of these younger respondents have had a commercially prepared noon day meal five to seven times in the past seven days. The data for this age group, which contains many school age children, probably reflect the high incidence of eating lunch in school cafeterias.

Frequency of Commercially Prepared Meals by Age

Meal	Age Group 21 and under	22-40	41-64	65 and over
Breakfast				
At least once	11.8%	17.7%	16.6%	11.3%
1-2 Times	5.4%	11.5%	10.6%	7.0%
3-4 Times	2.5%	3.0%	2.7%	2.2%
5-7 Times	3.9%	3.2%	3.3%	2.1%
None	88.1%	82.3%	83.3%	88.7%
Lunch				
At least once	67.7%	54.3%	45.8%	28.7%
1-2 Times	13.2%	23.1%	17.5%	15.3%
3-4 Times	7.5%	10.1%	7.9%	6.5%
5-7 Times	47.0%	21.1%	20.4%	6.9%
None	32.2%	45.6%	54.1%	71.4%
Dinner				
At least once	42.9%	53.9%	50.5%	37.8%
1-2 Times	31.0%	38.8%	34.6%	24.6%
3-4 Times	7.2%	10.1%	10.5%	7.6%
5-7 Times	4.7%	5.0%	5.4%	5.6%
None	57.0%	46.1%	49.5%	62.2%

Note: Totals may not add to 100% due to rounding.

Source: National Restaurant Association, Research and Information Services Department.

Senior citizens, those persons 65 and over, are the least likely age group to eat out. Our survey revealed that in the past seven days the proportion of respondents who had eaten out on at least one occasion was 11.3 percent for breakfast, 28.7 percent for lunch and 37.8 percent for dinner. These figures are considerably lower than those for any other age group, as shown in the accompanying table. Further analysis of the data from this study shows that persons age 65 and over skip very few meals and prepare and consume the vast majority of their meals at home or at a friend's home. Senior citizens probably find it more economical to eat at home than to eat in restaurants. In addition, they probably enjoy the social aspect of each daily meal and have little desire to skip any eating occasion.

Eating Out Behavior Varies With Household Size and Income

Analysis of the data from this survey reveals that eating out behavior varies with household size, with single persons eating out more frequently. The proportion of respondents from one member households who had eaten out at least five times in the past week was 4.6 percent for breakfast, 20.2 percent for lunch and 9.8 percent for dinner. The data also reveal that single persons skip a high proportion of their meals, and we believe that they may find it somewhat inconvenient to prepare meals at home for one person.

Persons from four and five member households have a high incidence of eating out or eating commercially prepared food for lunch. Over half of the persons in each of these two groups have eaten out for the noon day meal on at least one occasion in the past week, and a significant proportion have eaten out for lunch five to seven times in the past seven days. Since these households contain a large number of children and work force members, it would appear they consume a considerable number of their noon day meals away from home.

Respondents from upper income households eat out or eat commercially prepared meals more than respondents from lower income families. The percentage of persons from households with incomes over $25,000 stating they had consumed at least one meal away from home in the past seven days was 17.2 percent for breakfast, 60.5 percent for lunch and 58.1 percent for dinner. In comparison, the percentages for persons from households with incomes under $10,000 were 15.5 percent for breakfast, 41.5 percent for lunch and 33.6 percent for dinner. Upper income households probably have more discretionary income to spend on eating out while lower income households have considerably less.

MEAL SKIPPING BEHAVIOR REVEALED IN NRA STUDY

The consumer study described in the previous article, "New NRA Study Provides Information on Meals Prepared Away From Home Versus At Home" also supplied us with data on meal skipping behavior. We believe that this information can be beneficial to restaurant operators in planning and implementing new meal service, targeting advertising and promotion campaigns and identifying new markets or market segments.

This study revealed that the average person (8 years old or older) skips 1.3 breakfasts, 0.6 lunches and only 0.1 dinners in a seven day period. In the following sections of this report, we will analyze this meal skipping information in detail by meal period and by such demographic characteristics as age, sex, household income and household size. Much of the data and analysis presented here are supported by other research such as that conducted by the Roper Organization. (See *Foodservice Trends*, June 1980.)

Breakfast Is Most Frequently Skipped Meal

NRA's consumer study revealed that breakfast is the meal most likely to be skipped, while dinner is the least missed meal. Over one fourth of the respondents stated that in the past seven days they had skipped breakfast at least once compared to less than 5 percent for dinner and about 16 percent for lunch. (See accompanying table.) Perhaps the reason why breakfast is missed more than other meals is due to time and convenience factors. Many people may feel that they do not have sufficient time to prepare and consume the morning meal at home or away from home, and as a result, they forgo it altogether. On the other hand, dinner is often a more social or family meal with relatively more time available for meal preparation and consumption.

Breakfast is also the most frequently skipped meal, with nearly one out of six respondents (16.2%) stating that they had not eaten breakfast at least five times in the past week. In comparison, 5.4 percent reported that they had not eaten lunch at least five times, and the proportion for dinner was less than one percent.

Persons 22 to 40 Most Likely To Skip Meals

NRA's consumer survey collected data on meal skipping behavior by age and sex of each respondent, and our analysis of this information reveals some substantial differences, particularly with regard to age. Males and females appear to be very similar in their tendency to miss meals. Both are more likely to skip breakfast than any other meal, with about one fourth of each sex reporting that they had skipped breakfast in the past week.

Among the various age groups, persons in the 22 to 40 segment are most likely to skip meals, and they skip meals frequently. Nearly 45 percent of the respondents 22 to 40 years old had not eaten breakfast one or more times in the past seven days and 28.1 percent stated they had skipped breakfast 5 to 7 times. Approximatley one fourth of the persons in this age group had missed lunch one or more time in the past seven days and one out of twelve had not eaten dinner at least once. This group, representing a major segment of the work force and containing many singles, may be faced with considerable time pressures and lack of interest in preparation of meals, a marketing opportunity which a number of foodservice operators have recognized in the past several years.

The oldest age segment, those persons age 65 and over, are the least likely to skip meals, and as we reported in our previous article, they are also the least likely to eat out at restaurants. Less than 10 percent of the senior citizen respondents have skipped breakfast or lunch one or more times in the past week and only about two percent have not eaten dinner on at least one occasion. If senior citizens do forgo any meal during a given week, they are likely to do so only once or twice. This particular segment, represented by many retirees, may view each meal as a social occasion and have little desire to miss it.

Frequency of Skipped Meals by Meal Occasion

Frequency	Breakfast	Lunch	Dinner
At Least Once	26.7%	15.9%	4.8%
1-2 Times	5.5%	7.3%	3.3%
3-4 Times	4.9%	3.2%	0.9%
5-7 Times	16.2%	5.4%	0.6%
None	73.3%	84.1%	95.2%

Note: Totals may not add to 100% due to rounding.

Source: National Restaurant Association, Research and Information Services Department.

Skipping Behavior Varies With Household Income

Persons from households with incomes under $15,000 and those from households with incomes of $20,000 to $24,999 are the most likely breakfast skippers, and they also skip breakfast more times in a week. Nearly 30 percent of the respondents in these income groups have missed at least one breakfast in the past week and slightly less than 20 percent have not eaten breakfast 5 or more times.

Respondents who are likely to have skipped lunch one or more times in the past seven days come from either the lowest or the highest income groups. Our study revealed that 16.6 percent of the persons from households with incomes under $10,000 had not eaten lunch at least once in the prior seven day period and 6.4 percent had missed the noon day meal five or more times. Persons from households with incomes above $25,000 are also likely to skip lunch, with 16.8 percent reporting that they had not eaten lunch on at least one occasion in the past week. It may be that lower income persons skip lunch primarily for economic reasons, while for upper income respondents, which include many middle and top management workers, time and convenience may be the influencing factors.

Percentage of Meals Skipped by Age

	Age Group			
Meal	**21 and Under**	**22-40**	**41-64**	**65 and over**
Breakfast				
At least once	19.5%	44.7%	21.9%	8.6%
1-2 Times	4.7%	8.6%	4.3%	2.9%
3-4 Times	4.5%	8.0%	3.7%	1.4%
5-7 Times	10.3%	28.1%	13.9%	4.3%
None	80.4%	55.2%	78.1%	91.4%
Lunch				
At least once	9.5%	23.7%	16.0%	8.2%
1-2 Times	5.1%	11.6%	6.7%	3.0%
3-4 Times	1.7%	5.3%	3.0%	1.2%
5-7 Times	2.7%	6.8%	6.3%	4.0%
None	90.5%	76.2%	84.0%	91.7%
Dinner				
At least once	3.5%	8.3%	3.2%	1.9%
1-2 Times	2.1%	6.1%	2.3%	1.0%
3-4 Times	1.0%	1.4%	0.4%	0.3%
5-7 Times	0.4%	0.8%	0.5%	0.6%
None	96.4%	91.7%	96.7%	98.0%

Note: Totals may not add to 100% due to rounding.

Source: National Restaurant Association, Research and Information Services Department.

Respondents from lower income households are the most probable dinner skippers while those from the top income group are the least likely to miss the evening meal. Our survey revealed that 6.5 percent of the respondents from households with incomes under $10,000 had not eaten dinner one or more times in the past seven days compared to 4.4 percent for all respondents and 4.1 percent for upper income respondents. Because the evening meal is the most expensive meal to prepare at home or to eat out, economic factors are probably the primary reason for this occurrence.

Single Persons Most Likely Meal Skippers

Respondents from one member households are more likely than other respondents to skip meals. In the past week, 30.8 percent of these single persons had skipped at least one breakfast, 21.0 percent had missed one or more lunches and 8.8 percent reported missing at least one evening meal. These respondents may find it easier to skip a meal rather than to prepare it themselves or to eat out at a restaurant.

Persons from two member and five member households are the least likely to skip any meals, and they have a particularly low likelihood of missing lunch. In the case of the two member household, both parties are probably in the work force and lunch may be eaten as the main meal. For five member households, which have several school age members, the frequency of skipping lunch may be low because meal service is provided at schools.

CREST REPORTS ON CONSUMER BEHAVIOR IN A WEAK ECONOMY

Highlights

A special CREST report on the effects of the 1979 inflationary period and the 1980 recession on eating out behavior reveals that:

- **Snacking occasions followed by lunch were most adversely affected during the 1979-80 economic slowdown.**
- **Lower priced restaurants were affected before higher priced establishments.**
- **The weak economy had a more adverse impact on families with housewives under 49 years old.**
- **Older families were more inclined to control restaurant spending during the high inflationary period of 1979 than during the recessionary period of 1980.**
- **Restaurant visits by white collar families were curtailed during the gasoline shortage of 1979, while restaurant visits by blue collar families were reduced during the recession.**

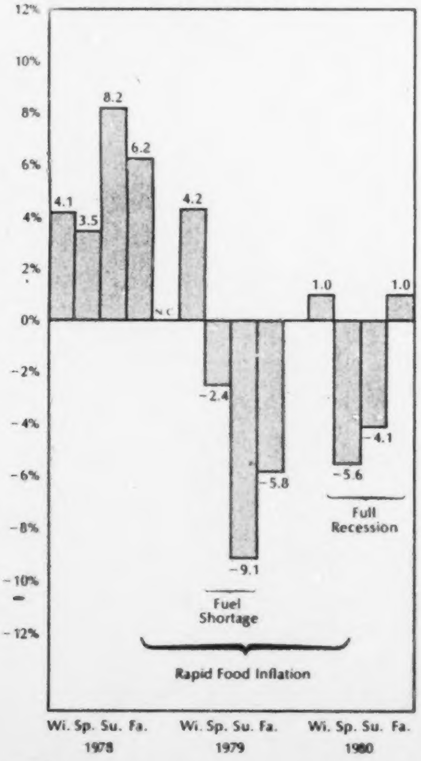
The restaurant industry experienced healthy traffic gains in 1978, but by the Spring of 1979 customer counts at the nation's restaurants were declining. Since that

Spring, CREST data have shown only two quarters (Winter 1980 and Fall 1980) in which traffic increased over the same period in the prior year. (See accompanying chart.) As a result, CREST embarked on a study to analyze what consumer restaurant behavior changes occurred in 1979, a period of high inflation and gasoline shortages, and 1980, a recession, and why these changes affected our industry. This special CREST analysis covered the two year period from Fall 1978 through Fall 1980.

The study analyzed the industry by meal occasion, price range, restaurant type and family characteristics. Although the information presented here is historical in nature, we feel that it can be helpful to restaurant operators in anticipating and understanding the impact of external economic factors on the restaurant industry in the future.

Looking back over the general health of the U.S. economy from 1978 through 1980, we find the following factors had the most dramatic impact on the restaurant industry.

Percent Change in Quarterly Customer Traffic (Winter, 1978-Fall, 1980)



Source: CREST, NPD Research, Inc.

- Growth in real disposable income slowed from 4.4 percent in 1978 to 3.1 percent in 1979 and to only 0.6 percent in 1980, causing overall consumer affluence to decline.
- Inflation also eroded consumers' purchasing power, with the Consumer Price Index rising 7.6 percent in 1978, 11.3 percent in 1979 and 13.5 percent in 1980.
- The retail price of gasoline rose 35.2 percent in 1979 and 39.0 percent in 1980. In addition, much of the country experienced a gasoline shortage in the late spring and early summer of 1979.

CREST researchers point out that the restaurant industry moved from a young and developing stage to a mature one due in great part to these external economic factors. In the remaining sections of this report we will highlight the findings from this latest CREST study, "Consumer Response To A Weakened Economy."

Breakfast Had Best Performance Overall

Although all meal occasions experienced traffic gains in 1978, breakfast recorded the strongest growth. Customer counts for the morning meal were up 7.5 percent, compared to 6.7 percent for lunch. During 1979's Spring and Summer Quarters, however, breakfast traffic declined dramatically. Breakfast counts were off 3 percent and 10 percent in each of these quarters. Only snack traffic experienced worse traffic losses, down 5 percent and 11 percent. This was probably the result of the fuel shortage and cut backs in driving as well as the more discretionary nature of these two meals. Since the Summer of 1979 breakfast resumed its growth trend and was the only meal occasion to experience traffic increases during this period of high inflation and recession. Snacks, on the other hand, continued to record traffic losses at a heavy rate as the recession progressed. Of the two remaining meals, supper held on to customer counts better than lunch.

Overall, the CREST Study drew the following conclusions concerning meal traffic performance in 1979 and 1980.

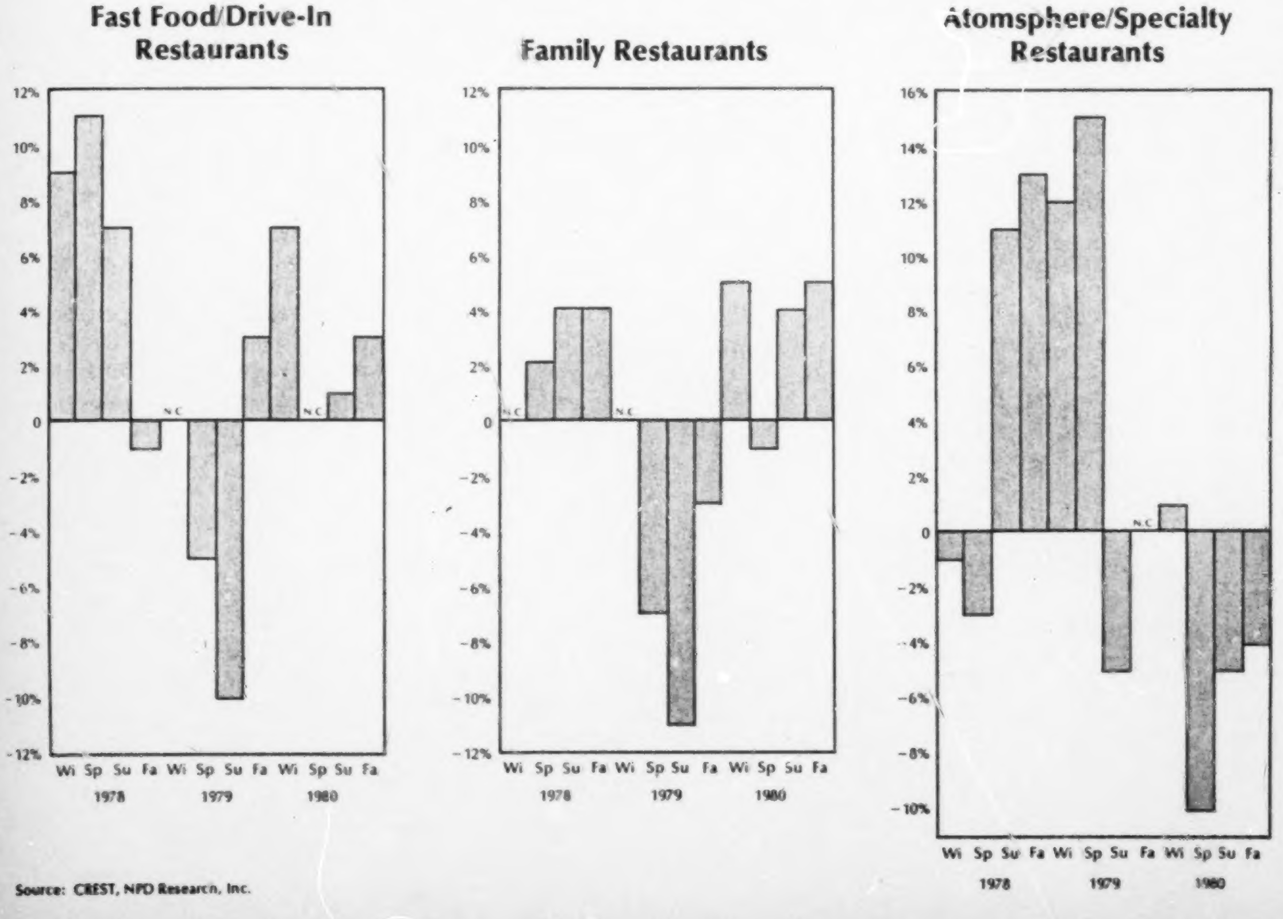
- Snacks are the most discretionary eating out occasion. Consumers cut back on these early in the inflationary period of 1979, and they remained depressed throughout the entire 1979-1980 period.
- Lunch is probably the least discretionary meal, but it experienced the second greatest rate of traffic losses during the two year period. Consumers have some relatively easy options for expenditure savings on lunch such as "brown bagging," eating at work and in school cafeterias, which are not covered by the CREST survey, and skipping the meal.

- Breakfast's stellar performance may be tied to changing life styles (less family dining), greater availability of a convenient breakfast, growing nutrition consciousness and a good price/value relationship for the morning meal.
- Supper traffic may have held up relatively well because it is the meal that is least likely to be skipped, it can satisfy a convenience need and it can be a substitute for a potentially greater entertainment expenditure.

Lower Priced Outlets Affected by High Inflation; Higher Priced Ones by the Recession

In early 1979 restaurant operators were faced with substantial increases in their wholesale food costs which they were forced to pass on to their patrons in the form of higher menu prices. CREST analysis reports that this marks the point when industry traffic growth slowed and began to decline. The average check size increased 11.3 percent in the Winter Quarter of 1979 and customer traffic advanced 4.2 percent. In the following quarter (Spring) the average per person check was up 14.4 percent and customer traffic fell 2.4 percent. Restaurants with the most rapid price increases suffered traffic losses earlier than other outlets. Higher priced outlets were minimally affected during high inflationary periods but ultimately experienced traffic declines during a full recession.

Fast food restaurants, which represent the lower priced segment of the industry, were confronted with rapidly rising beef prices in 1978 and 1979. Since beef is a major food product for this group, their average check



Percent Change in Customer Traffic (1978-1980)

Source: CREST, NPD Research, Inc.

size advanced more rapidly than at other types of outlets. The per person check size increased 15 percent in 1978's Fall Quarter and continued to rise at this rate through the Summer of 1979. Consumers resisted these rapid menu price gains and cut back on their visits to fast food restaurants. The worst decline was in the Summer Quarter of 1979 when traffic fell 10 percent, the result of the fuel shortage, a drop in vacation travel and rapidly rising menu prices. Overall restaurant traffic was down a slightly lower 9 percent during this same quarter.

Traffic counts for fast food restaurants rebounded quickly, however, and were positive throughout the recession of 1980. Moderating menu price increases, above average promotional usage and the relatively lower cost of a restaurant meal at fast food outlets contributed to the improved performance in 1980. In addition, consumers may have felt they received more value for their money at these lower priced establishments. Half of the respondents to a 1980 Gallup poll rated the price/value of a meal at a fast food restaurant as excellent or good, up from 47 percent in the prior year. (See *Foodservice Trends*, October 24, 1980.)

Family type restaurants were slower to register double-digit increases in check size than the fast food group. Menu prices rose 16 percent in the Spring Quarter of 1979 and 13 percent in the Summer. As prices rose traffic declined, with a 7 percent drop in the Spring followed by an 11 percent loss in the Summer. CREST attributes these customer count losses to the rise in eater check size, the fuel shortage and the drop in the amount of driving done by U.S. consumers. When menu prices began to moderate in early 1980, traffic improved. Traffic was up 5 percent in the Winter of 1980, experienced a slight drop in the Spring of 1980 and remained positive during the last half of the year. CREST researchers believe that family restaurants may hold traffic better than other restaurant types during a recession as consumers may tend to "trade down" from more expensive restaurants.

Atmosphere/specialty restaurants were least affected by the external economic factors of 1979 because they were able to keep their menu price increases to a minimum. Traffic counts remained positive during the period of high food inflation (late 1978 and early 1979) but did decline 5 percent in the Summer of 1979, probably the result of the fuel shortage. Although greater dependence on upper income families appears to be beneficial to atmosphere/specialty restaurants, they may also benefit from special occasion visits from all families. (See *Foodservice Trends*, March/April 1980.) The broader squeeze on purchasing power brought on by the recession, however, may have caused some consumers to cut back on their visits to higher priced restaurants and others to "trade down" to less expensive outlets. Traffic losses were greatest for this restaurant group during the recessionary period, falling 10 percent in the Spring of 1980, 5 percent in the Summer and 4 percent in the Fall.

Restaurant Expenditures Varied by Family Characteristics

The CREST study found that families where the housewife was under 49 years old curtailed their restaurant spending most during the fuel shortage-high inflation period of 1979, but they also contributed to the industry's softness in 1980. Reduced driving levels as well as decreased purchasing power have been identified as the major factors behind this situation. Families where the housewife is over 65 reduced their restaurant spending more during the period of rapid inflation, but were less affected than other families during the 1980 recession. Periods of inflation may restrict their spending more since many rely on a fixed income. During a recession these families benefit from indexed transfer payments (Social Security) and do not face the possibility of being unemployed because a significant proportion are retired.

White collar families contributed to the industry's downturn in 1979 and 1980. They reacted more to the fuel shortage than other families and controlled their eating out expenditures more in the period following it. The recession appears to have had the greatest impact on blue collar families, however. When the recession began, increases in restaurant spending by this group were below those for other families. A possible reason for this may have been the potential or actual loss of job for blue collar workers.

Two to three member families were affected more than others during the early period of rapid food inflation than the fuel shortage, as their restaurant expenditures lagged the average family's spending increases during that time. Large families were affected more during the full recession, with their restaurant spending declining during the Spring and Summer Quarters of 1980. Perhaps this difference in timing of expenditure cut backs for small and large families is tied to income. Small families, which may be more dependent on retirement incomes and on smaller incomes, experienced an eroding of their purchasing power during the inflationary period. Large families with more members to feed, clothe and house probably felt they could no longer afford the luxury of eating out as often during the recessionary period.

INDEPENDENTS PREDOMINATE IN FOODSERVICE

Although chain unit expansion continues, independent operators still predominate in foodservice. More than 7 out of 10 eating places were operated by independent restaurateurs in 1977, confirming the small business orientation of the industry. A clear definition of just who these independent operators are becomes important since the proportion of establishments in the "independent" group can vary substantially depending on whether or not franchisees who run a single unit are included.

The Independent From Two Perspectives

Bureau of the Census figures for single versus multiunit establishments provide one perspective on the independent operator. (Table I) Included among the single unit data, however, are franchisees who operate only one unit. Although many of these single unit franchisees regard themselves as independent businessmen, not everyone would agree that they are independent operators since their stores are recognized as being part of a multiunit system.

To look at the impact of an independent operator from a second perspective, NRA has prepared a series of estimates which remove single unit franchisees from the single unit totals and include them with multiunit operations. (Table II) These estimates are based on information from the *1977 Census of Retail Trade, Franchising in the Economy* and other sources.

The difference in the definition of independent operator is most pronounced for limited menu restaurants since franchisees are most prevalent in this group. While there were 63,097 single unit limited menu restaurants in 1977, an estimated 14,300 of these were single unit franchisees. Thus, only 48,794 limited menu restaurants were independents in the sense that they neither belonged to a multiunit firm nor were single unit franchisees.

The differing perspectives on independents have a substantial impact on sales as well. While single units captured 59 percent of eating place sales in 1977 (Table III), independents, excluding single unit franchisees, were responsible for approximately 48 percent. (Table IV) Again the difference is most noticeable for limited menu restaurants.

Single units generated 48 percent of total sales for the limited menu group in 1977. Franchisees operating only one unit were responsible for an estimated $4.9 billion of the $9.1 billion single unit sales total. If independents exclude these single unit franchisees, independents captured only 22 percent or $4.2 billion of total limited menu restaurant sales.

As a result of NRA's efforts the 1982 Census of Retail Trade will provide the first firm fix on the independent question from both perspectives. Until this information is available, our estimates highlight the magnitude of the question.

TABLE I
NUMBER OF UNITS,[1] 1977

	Multiunit[3]	Single Unit[4]	Percent Single
Restaurants	13,903	104,993	88%
Fast Food	29,260	63,097	68%
Cafeteria	1,725	5,276	75%
Other Eating Places	8,859	10,615	55%
Total Eating Places	53,747	183,981	77%

TABLE II
NUMBER OF UNITS,[1] 1977

	Multiunit & Franchisee	Independent	Percent Independent
Restaurants	15,732	103,164	87%
Fast Food	43,563	48,794	53%
Cafeterias	1,725	5,276	75%
Other Eating Places[2]	8,859	10,615	55%
Total Eating Places	69,879	167,849	71%

TABLE III
SALES VOLUME, 1977

	Multiunit (000)	Single Unit (000)	Percent Single
Restaurants	$ 7,453,778	$20,115,232	73%
Fast Food	9,949,414	9,102,725	48%
Cafeteria	997,799	798,729	44%
Other Eating Places	3,052,286	1,447,574	32%
Total Eating Places	$21,453,277	$31,464,260	59%

TABLE IV
SALES VOLUME, 1977

	Multiunit & Franchisee (000)	Independent (000)	Percent Independent
Restaurants	$ 8,436,117	$19,132,893	69%
Fast Food	14,811,132	4,241,007	22%
Cafeteria	997,799	798,729	44%
Other Eating Places	3,052,286	1,447,574	32%
Total Eating Places	$27.297.334	$25.620.203	48%

1. Includes establishments with payroll in operation at the end of the year.
2. Includes contract feeders, ice cream and frozen custard stands.
3. Firms having more than one unit.
4. Single units, may be franchisees.

WHOLESALE FOOD PRICES DECLINE SLIGHTLY IN MAY

Wholesale food prices for restaurants declined 0.3 percent in May from the month earlier, according to the NRA Food Cost Index. In comparison, overall wholesale food prices were down 0.5 percent in the same one month period. A decrease in prices for eggs, fish and shellfish, sugar and fresh vegetables contributed to the month-to-month decline. However, a 3.0 percent increase in beef and veal prices between April and May accounts for the slower decline in wholesale food prices for restaurants. (Beef and veal are weighted heavily in our NRA Index.)

Wholesale food prices are expected to rise for much of the remainder of 1981, however. The recent heavy rains in the Mid-Western states have delayed harvesting of the winter wheat crops and spring planting of corn, soybeans and other crops, and the possibility of smaller fresh fruit and vegetable supplies because of infested crops in California. NRA will continue to monitor this situation and report significant developments in *Foodservice Trends.*

In the following paragraphs of this report, we have briefly reviewed the short term outlook for beef, pork, chicken, eggs, vegetables, sugar and dairy products.

BEEF. Beef production increased 6 percent in the first quarter of 1981 from the year earlier. Output is expected to decline 2.0 percent in the second quarter and 1.0 percent in the third quarter, however.

Prices for choice grain fed steers, which provide our industry with choice beef cuts, were $62 per hundredweight in the first quarter, down 7.3 percent from 1980's first quarter. Prices are expected to strengthen to $69 to $72 per hundredweight in the summer and should rise further to $71 to $75 in the third quarter. Second quarter prices will be down about one percent from the year earlier, but third quarter prices will be up nearly 10 percent from last year. USDA expects utility cow prices, which reflect the cost of hamburger grade beef, to continue to move up due to possible declines in supplies of grass fed beef.

Commodity Price Index
Percent Change

COMMODITY	1979-1980	May '80-May '81	5 Mos. '80-5 Mos. '81	Apr. '81-May '81
Bakery Products	11.7%	8.5%	8.8%	0.5%
Flour and Cereal	12.3	9.3	10.2	0.6
Beef and Veal	3.2	(1.1)	(3.0)	3.0
Other Meats	(2.7)	17.3	13.7	(1.8)
Pork	(4.0)	24.5	16.7	1.7
Poultry and Eggs	1.0	17.6	14.7	(1.2)
Poultry	2.5	19.8	14.9	5.0
Eggs	(2.8)	13.2	14.1	(15.9)
Fish and Shellfish	(3.2)	8.8	(1.7)	(0.2)
Sugar and Sweets	35.4	(4.6)	14.9	(4.0)
Sugar	49.6	(18.9)	9.3	(7.2)
Vegetables	7.5	25.0	38.9	(5.6)
Fresh Vegetables	8.6	30.6	54.8	(8.1)
Fruits and Juices	4.2	3.7	1.0	1.3
Fresh Fruit	4.1	(6.8)	(8.0)	2.9
Beverages	0.8	(3.7)	(2.8)	0.5
Dairy Products	12.1	7.0	9.3	(0.3)
Fats and Oils	6.4	4.4	4.1	(1.2)
NRA Food Cost Index	**5.0%**	**6.5%**	**6.2%**	**(0.3%)**
All Food, Producer Price Index[1]	**8.0%**	**5.4%**	**7.9%**	**(0.5%)**

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

Sources: *Producer Price Index,* Bureau of Labor Statistics; NRA.

PORK. Pork producers have cut their 1981 production sharply in response to the large financial losses they have experienced since mid 1979. Production is expected to decline 8 percent in the second quarter of this year and 7 percent in the third quarter.

Hog prices will increase in response to the reduced output, with prices forecast to average $42 to $45 per hundredweight in the second quarter up from $41.43 in the first quarter. Sharper price advances should occur in the third quarter as production slows. USDA economists believe that third quarter hog prices will average $52 to $56 per hundred weight, an increase of almost 17 percent from the year earlier period and up 23 percent from the prior quarter.

CHICKEN. Chicken output is forecast to be 10 percent higher in the third quarter of this year because chicken producers are raising production in anticipation of lower pork supplies which will help strengthen prices. Chicken prices are expected to average 48 to 51 cents per pound in the second quarter, a 20 percent advance from the 41 cents in the same period last year. Prices will probably strengthen to 53 to 57 cents per pound in the third quarter as total meat supplies decline.

EGGS. Egg producers are still experiencing negative profit margins, resulting in reduced output. First quarter production declined one percent from last year and output in both the second and third quarters is expected to only equal year earlier levels.

Egg prices averaged about 73 cents per dozen in the first quarter of this year, and are expected to weaken to 69 to 71 cents in the second quarter as demand declines. They are forecast to rise to 74 to 77 cents in the third quarter.

VEGETABLES. Prices for fresh vegetables averaged 54.8 percent higher in the first five months of 1981 compared to the same period in 1980 due to the smaller acreage devoted to vegetables and the damaging January freeze in Florida. Prices declined 8.1 percent from April to May, however, because of increased supplies from Florida replantings and from the Southwestern states. Planted acreage is expected to be one percent less this year than in 1980, and if harvested yields approximate 1980's yields, overall vegetable production will be off 3 percent in 1981.

SUGAR. In the first five months of 1981 wholesale sugar prices averaged 9.3 percent higher than in the year earlier period, considerably less than the 33.9 percent increase experienced in the first five months of 1980. However, prices did decline 7.6 percent from April to May of this year.

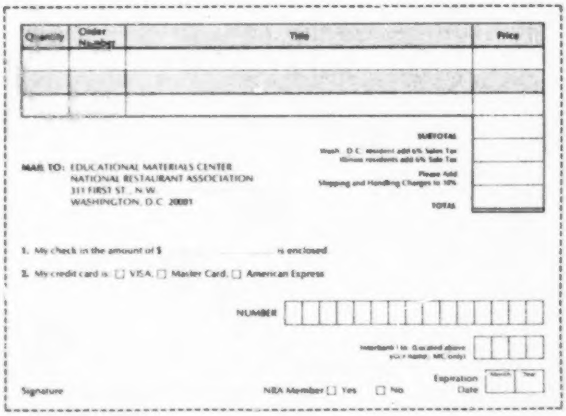
World sugar production is down 2.4 million pounds this year from last year, and the U.S. Department of Agriculture predicts that output in the Caribbean area, a major sugar production region, will be below last year's crop. With a smaller crop expected, current supplies will probably tighten and put upward pressure on prices, with prices rising to above 20 cents per pound by the end of the year, compared to about 15 cents a pound at the present time.

DAIRY. Wholesale prices for dairy products have averaged 9.3 percent higher in the first five months of 1981 compared with the year earlier period, according to *Producer Price Index* data. Price increases for the remainder of 1981 will be largely dependent on the demand picture as well as changes made by Congress in the dairy price support program. USDA expects overall 1981 dairy product prices to rise 8 to 10 percent.

FOODSERVICE SALES PANORAMA NOW AVAILABLE

The National Restaurant Association is pleased to announce the availability of its *Foodservice Sales Panorama*. This new 47 page report features industry food and drink sales and purchases for over 50 segments for the period from 1970 through 1980. Also included are many detailed tables with information on alcoholic beverage sales, wholesale food prices, menu prices, employment and earnings, sales by state and other pertinent economic data.

Persons wishing to order *Foodservice Sales Panorama* can complete the attached order blank. The purchase price is $25 for members and $40 for nonmembers. (Please specify order number when ordering *Foodservice Sales Panorama:* CS-020 for members and CS-021 for non-members.)



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Volume 3, Number 5
August, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue:

- ***Market Research For The Restaurateur* Is Now Available.**
- **Teen Market Important To Restaurant Industry.**
- **Study Reveals College Students Eat Out Frequently.**
- **CREST Report: Customer Traffic Posts Best Performance Since 1978.**
- **NRA Publishes New Operating Ratio Report.**
- **Franchisors Report Slower Sales Growth For ice Cream Stores And Donut Shops In 1979.**
- **Wholesale Fruit And Vegetable Prices Not Expected To Be Affected By Fruit Fly Infestation.**
- **Market Research Group To Meet And Discuss Research Techniques For Menu Development.**

MARKET RESEARCH FOR THE RESTAURATEUR IS NOW AVAILABLE

The National Restaurant Association is pleased to announce the availability of its newest publication, *Market Research For The Restaurateur.* This publication is a practical handbook that shows the non-professional how to do enough market research to assist in making operational and promotional decisions and to do it in a professional and unbiased manner.

The Handbook contains step-by-step approaches to doing many types of market research, based on sound principles that have been adapted to meet the specific situations and needs of restaurateurs. Numerous examples are given to aid the operator in understanding the use and application of each research method. Included are sample worksheets and analysis forms that can be easily duplicated. An especially appealing feature of the book is the NRA Consumer Attitude Questionnaire which operators are encouraged to use when studying how their customers perceive their restaurants. Completed questionnaires can be sent to the National Restaurant Association for computer analysis and a report will be returned to the operator.

Readers interested in obtaining a copy of *Market Research For The Restaurateur* can do so by completing the attached order blank. The cost of this book is $17.50 for members and $35.00 for non-members. (Please specify order number CS200 for members and CS201 for non-members.)

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NRA INTRODUCING NEW PUBLICATION IN OCTOBER

The National Restaurant Association will introduce a new publication in October to be called *NRA NEWS*, and it will combine all the regular features now published in *Foodservice Trends*, *Washington Report* and *NRA NEWS*. This 40-page publication will be published on a monthly basis and will highlight all the news of the industry in a fashion which has not been previously possible. In addition, this will help consolidate some of the numerous mailings to the NRA membership.

The 12-page "Foodservice Trends" section of the new *NRA NEWS* will contain all the same information and analysis which we now publish, including CREST data, wholesale food prices and supplies, consumer trends and reports on the overall state of the industry. The section will be easily identifiable, and often readers will be able to find other distinctive feature articles and legislative stories which will be related to the economic and statistical data presented in "Foodservice Trends." For example, our 1982 industry sales and economic forecast will be featured in the December issue, and other articles will highlight commentaries on the 1982 outlook from a legislative and operator perspective.

TEEN MARKET IMPORTANT TO RESTAURANT INDUSTRY

Teenagers are a formidable market force in our economy today, and they are particularly important to the restaurant industry. Personal spending by teens totalled $39.1 billion in 1980, an increase of 8.6 percent over 1979 according to results of a nationwide survey conducted in April 1981 by the Rand Youth Poll. Almost fifteen percent of their total expenditures, or $5.6 billion, was spent on food and snacks. Expenditures for movies and entertainment, which probably include some money spent for food and beverages at movies, sporting events and dating, equaled an additional $7.4 billion. It is especially notable that total spending by teenagers reached a record high in 1980 despite a decline in the teen population of 2.5 percent between 1979 and 1980.

The number of persons 13 to 19 years old began increasing rapidly in the early 1950's, but the group was generally thought to have little market potential. As their numbers increased and the nations' prosperity grew, teens had more money to spend. Marketers recognized the economic potential of the teenage population and began to offer them a variety of goods and services such as transistor radios, stereos and the joys of eating out. The youth market continued to grow due to the increase in the youth population, improvement in the national prosperity which has provided this age group with increased income, greater teenage influence on household expenditures and an awareness and copying of youth styles and fashion by adults.

The current teen market is important to the national economy and particularly to the foodservice industry because of the amount of money these young adults spend and the highly discretionary nature of their spending. Teens provide restaurant operators with an affluent and viable market for targeting their advertising dollars. In addition, persons in this age segment have an influence on household expenditures, and their opinion can weigh heavily when the family is deciding whether to eat out and which restaurant to visit.

Teens Important To Certain Segments of The Industry

The teenage market is more important to some segments of the restaurant industry than others, and this is especially true for fast food and take out restaurants. Those in the 13 to 17 age group accounted for 6.7 percent of total sales at fast food restaurants in the 1980 CREST year (September 1979 to August 1980) and 6.6 percent of sales at take out restaurants. On the other hand, they accounted for a relatively smaller proportion of sales at cafeterias and coffee shops, 3.9 percent and 3.3 percent, respectively.

Average Weekly Expenditures by Teens in 1980

	Total Expenditures	Food and Snacks	Percent of Total	Movies and Entertainment	Percent of Total
13 to 15 Years					
Males	$ 16.00	$ 4.80	30.0%	$ 3.75	23.4%
Females	17.15	3.15	18.4%	2.70	15.7%
16 to 19 Years					
Males	33.70	4.20	12.5%	8.45	25.1%
Females	35.10	2.65	7.5%	4.05	11.5%
Total	$101.95	$14.80	14.5%	$18.95	18.6%

SOURCE: Rand Youth Poll, April, 1981.

Spending Habits Vary by Age and Sex

The Rand Youth Poll survey revealed that teen spending habits vary by age and sex. Total spending by those in their high teens, age 16 to 19, exceeded that of those in their low teens, age 13 to 15, and females in both age groups outspent males. (See accompanying chart.) Total spending by teenagers averaged $101.95 per week in 1980, and expenditures for food and snacks accounted for 14.5 percent of the total or $14.80 per week. Spending for movies and entertainment, which could include money spent for food and beverages at movies, sporting events and dating, averaged $18.95 per week or 18.6 percent of total spending by teens.

Total weekly expenditures by females age 13 to 15 were higher than their male counterparts in 1980, $17.15 compared to $16.00. Female teenagers are greater impulse buyers than males, and shopping is one of their primary activities while males frequently avoid this activity. The large amount of money females spend on personal appearance items also explains the difference in spending between young teenage males and females.

Males in their low teens spent an average of $4.80 per week, almost one third of their total, for food and snacks and another $3.75 on entertainment, while expenditures for these items by females were considerably less. Females aged 13 to 15 spent an average of $3.15 per week on food and snacks and $2.70 for movies and entertainment. The largest portion of total purchases by females was for clothing, jewelry and cosmetics, allocating nearly half of their total spending, an average of $8.35 per week, for these items. Young teenage males spent a significantly lesser amount of $3.10 per week on these personal items.

Spending patterns by teens age 16 to 19 years were similar to those in their lower teens, with females spending an average of $35.10 per week compared to $33.70 for males. As noted earlier, spending for personal appearance items by females is greater than by males and is a significant factor contributing to their larger total spending.

Males in their high teens devoted the largest portion of their expenditures for food and snacks and movies, dating and entertainment. In 1980, they spent an average of $4.20 per week on food and snacks and $8.45 for movies, dating and entertainment. When expenditures for these two activities are combined, they account for 37.5 percent of total spending by males in this age group. Expenditures for clothing and grooming items were greater for males age 16 to 19 than for those in their low teens, increasing significantly from $3.10 per week to $8.55.

Females in their high teens also allocated a larger portion of their total expenditures for clothing and grooming items than their younger counterparts, averaging $20.60 per week. They spent less, however, on food and snacks per week than females in their low teens, $2.65 versus $3.15, but spent more on movies and entertainment, $4.05 compared to $2.70.

A significant portion of teen income comes from earnings, according to the results of this Rand Youth Poll survey. Teens earned an average of $68.20 per week, or almost 55 percent of their total income. The remaining portion is from allowances, probably for doing household chores. The large percentage of income derived from earnings indicates that many teens probably have a part-time job, and this can be an important factor to the restaurant industry. Teenagers may find it easier and more convenient to eat out while at work, and because they earn such a large share of their income, they may be more inclined to spend it on more discretionary items such as food, snacks, movies and entertainment.

Teens Have Considerable Influence on Family Household Expenditures

Teenagers today are more sophisticated than in the past as new technologies have enabled them to acquire facts and knowledge more easily. This increased knowledge and sophistication is reflected in the greater influence teens have on family spending decisions. According to the results of the Rand Youth Poll, nearly four out of ten teens indicated that they were consulted a great deal of the time when important family decisions were being made and three out of ten said they were consulted some of the time. Only 27 percent indicated they were not consulted at all.

This greater influence of teens in the home is important to the restaurant operator because they may affect the family's decision to eat out and the choice of restaurant. Advertising dollars targeted toward the teenage market could be a significant factor in attracting the entire family to a restaurant.

NRA FOODSERVICE TRENDS

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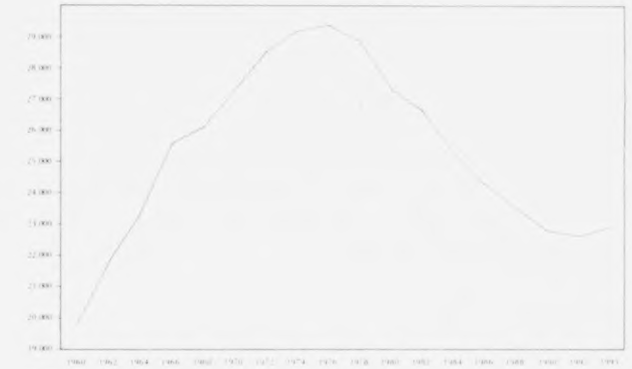
Teens Provide Restaurant Industry With a Growth Market

The affluence of the teen population has been increasing in the past several years. Spending by this age group, 13 to 19 years, rose more than 50 percent from $26.1 billion in 1976 to $39.1 billion in 1980 despite a 6.6 percent decline in the teen population during the same period.

The teenage population has been steadily decreasing since 1975, and this trend is projected to continue through 1990, with overall teenage population dropping 17 percent. (See accompanying chart.) Teenagers will continue to be a strong market force, however, as their numbers are not expected to fall below 22.5 million during this decade. By 1992, the number of persons age 13 through 19 will begin increasing, the result of higher birth rates in the late seventies.

The size of the teenage population will make it a formidable market force throughout the 1980's, and new spending records should be set. If past trends continue with regard to teen spending, the NRA believes total expenditures by this segment could reach $89.1 billion (current dollars) in 1990 compared to $39.1 billion in 1980. Even more importantly, the amount spent on food and snacks by these young adults could reach almost $13 billion by the end of the decade, more than double the $5.6 billion spent on these items by teens in 1980. Teenagers, because of their sheer numbers and their affluence, will continue to provide the foodservice industry with an excellent growth market.

Teenage Population 1960-1993*



*1981-1993 Population Figures Are Projections.

SOURCE: U.S. Department of Commerce Bureau of the Census, Rand Youth Poll, April 1981.

STUDY REVEALS COLLEGE STUDENTS EAT OUT FREQUENTLY

Results from a survey by Communications and Advertising Services to Students (CASS) of 500 college students found that students dine out frequently, with 75 percent of the students surveyed indicating they had visited either a fast food or full service restaurant in the past seven days.

More students dined at fast food restaurants than at full service restaurants, sixty percent versus fifty-eight percent. In addition, students are more likely to eat at fast food restaurants than at full service restaurants. The survey conducted in 1979 reported that 26 percent had eaten at a fast food establishment two or more times in the past week, while only 18 percent had visited a full service restaurant 2 or more times. One reason fast food restaurants may be so popular among college students is their lower check average. According to 1980 CREST information, the average per person check size at fast food restaurants was $1.60 compared to $3.22 at a full service restaurant.

The survey reported that college students are big snack eaters. Seventy-nine percent of those surveyed had purchased candy in the past year and 89 percent had purchased a snack other than candy. Beer is the favorite alcoholic beverage among college students, with 68 percent of those surveyed having purchased it in the past year.

College Students Frequency of Eating Out in Past Seven Days

	Fast Food Restaurant	Full Service Menu Restaurant
Total Eating out in Past Week	60%	58%
One or More Times	22	35
Two or More Times	26	18
Four or More Times	7	3

SOURCE: Communications and Advertising Services to Students, 1979.

The study also revealed that the best way to get the college student's attention was by advertising in a college newspaper or on the radio. Seventy-nine percent of the students surveyed had read their college newspaper in the past seven days versus 63 percent who indicated they had read a daily city newspaper in the same time period. College students listen to the radio more than they watch television. Nearly four out of ten had listened to the radio at least half an hour to two hours the day earlier while 12 percent had not listened to the radio at all. Only one out of five students surveyed had watched television from one to two hours the day earlier and 40 percent said they had not watched any.

NATIONAL
RESTAURANT
ASSOCIATION

CREST
REPORT

Quarterly Supplement to
Foodservice Trends
August, 1981

CREST Highlights

- **Customer traffic at the nation's restaurants experienced the largest increase in over two years in the Spring Quarter, up 5.3 percent from the same period last year.**
- **Families returned to the eating out market in the most recent CREST period, particularly at fast food and family restaurants.**
- **Restaurant industry sales also posted the largest gain in over two years, increasing 16 percent in the Spring Quarter from the same period in the prior year.**
- **Promotional usage continues at a high level with 9.4 percent of the occasions involving a promotion in the Spring Quarter compared to 8.7 percent of the occasions last Spring.**
- **Fast food and family restaurants had the largest gains in customer traffic in the most recent CREST Quarter, with increases of 9.9 percent and 8.3 percent, respectively.**
- **Customer traffic rose for each meal occasion in the Spring Quarter with breakfast experiencing the largest gain of 9.7 percent.**

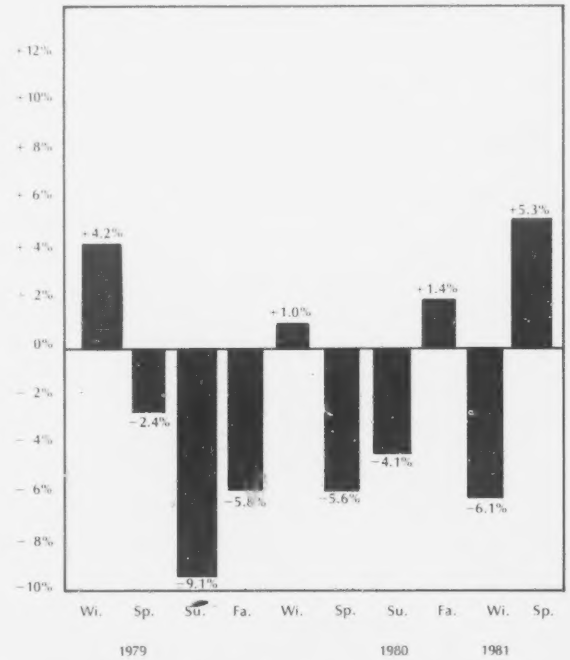
CUSTOMER TRAFFIC POSTS BEST PERFORMANCE SINCE 1978

Restaurant customer traffic posted the largest increase in over two years in the Spring Quarter (March, April, May) and may signal the beginning of a recovery for the industry. According to CREST information, traffic increased 5.3 percent in the most recent period from the same period in the prior year for the largest gain since the Fall Quarter of 1978 when traffic rose 6.2 percent. The advance in the Spring Quarter is considerably stronger than previous gains of 1.0 percent in the Winter Quarter of 1980 and 1.4 percent in the 1980 Fall Quarter when many thought that the industry was recovering from its downturn.

The improved performance in the most recent CREST Period is also significant because it affects nearly all segments of the industry, with traffic counts increasing at fast food, family and atmosphere/specialty restaurants as well as for each meal occasion. The traffic gains in the Spring Quarter recouped some of the loss experienced during the past two years, but overall patron counts are still not at their 1978 levels.

The improvement in commercial restaurant sales and traffic will most likely continue through the summer. Gasoline prices have moderated, and according to the Conference Board's survey of vacation intentions, consumers will be taking comparatively more vacations during the summer months. Readers are reminded that summer vacation travel, depressed during the past two years because of a shortage of gasolines supplies and high gasoline prices, had a negative impact on the industry. Preliminary sales figures for eating and drinking places from the Bureau of the Census indicate that in-

Percent Change in Quarterly Customer Traffic (Winter '79-Spring'81)



*Percent Change is from same month in prior year.

SOURCE: U.S. Department of Commerce, Bureau of the Census.

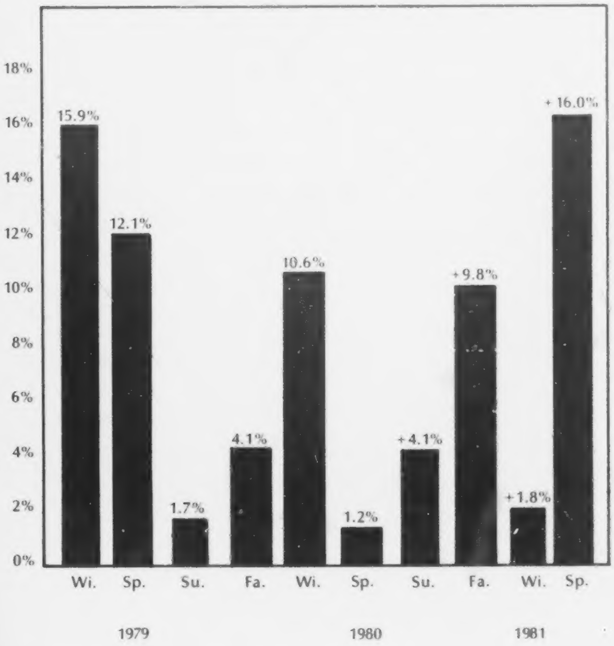
dustry sales are improving. Eating and drinking place sales were up 11.1 percent in the first six months of this year compared with a 10.2 percent gain in the same period in 1980. With menu prices averaging below ten percent, the industry is finally experiencing significant real sales gains. The National Restaurant Association predicted that industry sales in real terms would show a small gain in 1981 for the first time in two years. (See December, 1980 *Foodservice Trends*.)

Frequency of Eating Out Increases

Families returned to the eating out market in the Spring Quarter, with visit frequency, the number of times each restaurant patron family goes to a restaurant, increasing 3.1 percent. This is a considerable improvement over the previous quarter's 7.1 percent decline and is the first advance since the Spring Quarter of 1979. The traffic gain in the most recent CREST period was also the result of an increase in the number of families eating out, with many families finally returning to the eating out market.

When visit frequency by restaurant type is analyzed, most of the gain can be attributed to the 6.1 percent advance in the number of visits to fast food restaurants. Families were also eating out more often at family restaurants and cafeterias as the number of visits were up 2.1 percent and 3.1 percent, respectively. On the other hand, visit frequency at atmosphere/specialty restaurants declined.

Percent Change in Quarterly CREST Sales (Winter '79-Spring '81)



Sales based on total U.S.; average for 2 week period each quarter.
SOURCE: CREST.

Industry Sales Post Largest Gain in Two Years

Restaurant industry sales experienced the largest advance this Spring Quarter in over two years. The 16 percent rise in the most recent CREST period is a substantial improvement over the previous quarter's gain of only 1.8 percent. The average expenditure for a restaurant meal or snack (Eater Check Size) increased 10.1 percent for all restaurants in the Spring Quarter for the first double-digit rise in check size since the Fall Quarter of 1979. The advance in the most recent CREST period is probably the result of changes in the number and type of menu items ordered by patrons. According to CREST information, consumers ordered more menu items as well as more expensive ones in the Spring Quarter.

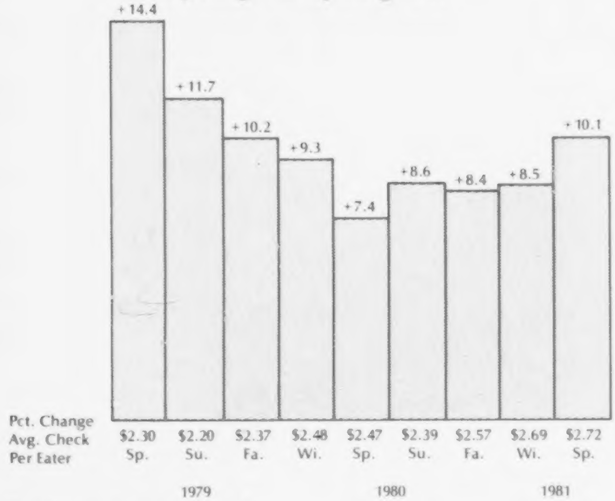
The increase in the number and type of menu items ordered by consumers can probably be attributed to the improvement in their economic well-being in recent months. The inflation rate (as measured by the Consumer Price Index) slowed considerably, from 11.6 percent in the Winter Quarter to 9.4 percent in the most recent CREST period. Consumers also experienced stronger growth in their real disposable personal income and were probably willing to spend more on discretionary items such as eating out. The Conference Board's Index of Consumer Confidence, which is a good barometer of consumer attitudes on business conditions, has been rising steadily for the past four months and reflects the improvement in the economic well-being of the public.

Promotional Activity Continues at High Level

Restaurant operators are continuing to use promotions as a means of increasing customer traffic. In the Spring Quarter 9.4 percent of the meal occasions involved a promotion compared to 8.7 percent of the occasions in the same quarter last year.

A look at promotional usage by restaurant type shows that fast food, family and take out restaurants have the highest proportion of use. Promotional usage at fast food restaurants increased from 11.1 percent of the occasions in the Winter Quarter to 12.0 percent in the most recent CREST period. At family and take out restaurants, promotions were utilized at 8.5 percent and 6.8 percent of the occasions, respectively.

Average Per Person Check*
(Spring '79-Spring '81)



*Based on average two week period

SOURCE: CREST.

Fast Food and Family Restaurants Post Large Traffic Gains

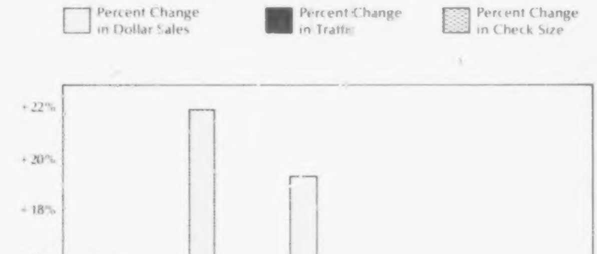
Customer traffic rose dramatically at fast food and family restaurants in the most recent CREST quarter. An increase in the number of visits to these restaurants by families and more families eating out at these restaurant types contributed to much of the gain. The strong growth in visit frequency and market penetration for these restaurant types may be the result of "trading down" by families to lower price restaurants as consumers are still very much aware of the price/value relationship of a meal eaten out. (See July 1981 *Foodservice Trends.*)

Fast food restaurant traffic increased 9.9 percent in the Spring Quarter from the same period in the prior year, representing the largest advance for this restaurant type since the Summer Quarter of 1978 when traffic was up 7 percent. Fast food restaurants had a high percentage of promotional usage in the Spring Quarter, accounting for 12 percent of the occasions. This heavy promotional activity by restaurant operators may account for some of the increase in the number of visits by families as well as the rise in the number of families eating out at fast food restaurants. The average check size for fast food restaurants increased at a faster rate than for all restaurants in the Spring Quarter, 11.4 percent versus 10.1 percent, however.

Customer counts at family restaurants increased 8.3 percent in the Spring Quarter from the same period a year ago, a considerable improvement over the previous quarter when traffic was down 1.5 percent. The per person check size rose 10.4 percent for family restaurants in the March-April-May period, slightly faster than the 10.1 percent advance for all restaurants. Families were visiting this restaurant type more often in the Spring Quarter as visit frequency advanced 2.1 percent from the same period a year ago and the proportion of families eating out at family restaurants was up as well. These gains were significant factors contributing to the better performance for this restaurant type in the March-April-May period.

Traffic at atmosphere/specialty restaurants was up 1.4 percent in the most recent quarter from the same period a year ago. Visit frequency for this restaurant type declined 1.9 percent, but more families were eating out at atmosphere/specialty restaurants, causing the slight increase in traffic. Cafeterias, coffee shops and take out restaurants experienced a drop in customer counts in the Spring Quarter. Fewer families eating out at these restaurant types, a decline in visit frequency and above

Spring Quarter Performance by
Select Restaurant Type



SOURCE: CREST.

average increases in the per person check size contributed to the drop in customer traffic. (CREST still has some reporting difficulties with these restaurant types, especially for cafeterias, which may account in part for their poor performance.)

Traffic Increases for all Meal Occasions

Traffic increased for each meal occasion in the most recent CREST period primarily because more families were eating out. This probably reflects the better economic conditions in recent months and may be a sign of improved industry performance throughout 1981. Customer traffic counts for breakfast rose 9.7 percent in the Spring Quarter from the same period a year earlier versus a decline of 1.4 percent in the Winter Quarter. Breakfast was the only meal occasion to experience growth in traffic during the weakened economy, and the strong gain in the most recent CREST period indicates that this growth may continue.

Supper traffic increased 6.3 percent in the Spring Quarter from the same period in the prior year, compared to a decline of 4.6 percent in the Winter Quarter. Families returned to the eating out market for the evening meal, with visit frequency increasing 4.7 percent. In addition, more families were eating out for this meal occasion. Supper experienced the slowest rise in average check size for any meal occasion, up 8.3 percent. Because of the moderate increase in check size, consumers could have perceived a better price/value relationship for the evening meal and may account for more families eating out for this meal period.

Restaurant traffic for the noon-day meal increased 2.4 percent in the Spring Quarter from the same period in the prior year for the first advance in patron counts in over two years. The poor performance over the past two years is attributed to the easy alternatives provided for savings such as skipping, "brown bagging," or eating at work or school cafeterias, which are not covered by the CREST survey. (See July 1981 *Foodservice Trends.*) The improved performance in the most recent CREST Quarter, however, is attributed to the increase in the number of families eating out for the mid-day meal.

Customer counts for snacking occasions experienced the largest increase in the Spring Quarter since the Winter Quarter of 1979. The 5.3 percent gain in the Spring Quarter is attributed to more families eating out for this meal occasion as well as an increase in their number of restaurant visits. The strong advance in the most recent CREST period may also be a signal for improved industry performance. CREST studies show that snacking, which is the most discretionary meal occasion, will be the first to experience a decline in traffic counts at the onset of a weak economy and probably will remain depressed until economic conditions improve. (See July, 1981 *Foodservice Trends.*)

WHAT IS CREST

Launched in September 1975, the CREST (Consumer Reports on Eating Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study does track chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels and motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor. Readers wishing more information on how to participate in the CREST study should contact NPD Research, 9801 West Higgins Road, Rosemont, Illinois 60018.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

NRA PUBLISHES NEW OPERATING RATIO REPORT

In response to frequent inquiries from members of the foodservice industry and investors who seek information on the financial and operating data of the nation's restaurants, the National Restaurant Association has published *Restaurant Operations Report '81*. This annual study, conducted jointly by the NRA and the international accounting firm Laventhol & Horwath, contains several new features which were not available in the *'79 Report*. The information for the study was supplied by NRA members, and the analysis was performed by Laventhol & Horwath.

This comprehensive study of 1980 operating results for restaurants includes specific financial information on full and limited menu restaurants with tableservice, limited menu restaurants without tableservice (fast food) and, for the first time, cafeterias. Information is given for restaurant type, location, years of operation, sales size as well as for a new breakdown this year—menu theme. We have divided the report into two sections—one for restaurants serving food only and the other for restaurants serving both food and alcoholic beverages.

The accompanying table is a sample of the information included in this valuable report. The same data is available for full menu and limited menu restaurants as well as for restaurants serving food only. Other information presented in the publication include:

- Breakdown of payroll expenses by function
- Return on assets ratios
- Total cost of sales
- Breakdown of administration, advertising, utilities and direct operating expenses.

Restaurant Operations Report '81 will be available in early September at a cost of $10.00 for NRA members and $20.00 for non-members. Readers who wish to order this report can do so by completing the attached order blank. Members please specify order number CS 950 and non-members specify order number CS 951 when ordering this publication.

1980 Income and Expense Ratios for all Restaurants Serving Food and Alcoholic Beverages

(Expressed as a percent of sales)

INCOME	
Food Sales	71.1%
Beverage Sales	27.8%
Other Income	1.1%
Total	100.0%
EXPENSES	
Cost of Sales	
Food	29.6%
Beverage	7.1%
Total	36.7%
Controllable Expenses	
Payroll	27.5%
Employee Benefits	4.8%
Direct Operating Expenses	6.5%
Music and Entertainment	0.9%
Advertising and Promotion	1.9%
Utilities	2.5%
Administrative and General	5.4%
Repairs and Maintenance	1.7%
Occupation Costs	
Rent, Property Taxes, Insurance	4.8%
Interest	0.9%
Depreciation	2.3%
NET INCOME	
Net Income Before Income Taxes and other Additions and Deductions	4.9%
Other Additions and Deductions	(0.4%)
Net Income Before Income Tax	4.5%

Quantity	Order Number	Title	Price
		SUBTOTAL	
		Wash. D.C. [illegible] Sales Tax [illegible] Sales Tax	
		Please Add Shipping and Handling Charges for [illegible]	
		TOTAL	

MAIL TO: EDUCATIONAL MATERIALS
NATIONAL RESTAURANT ASSOCIATION
311 FIRST ST., N.W.
WASHINGTON, D.C. 20001

1. My check in the amount of $ ____ is enclosed

2. My credit card is VISA Master Card American Express

NUMBER

Interbank No. (located above your name - MC only)

Expiration Date

Signature ____________ NRA Member ☐ Yes No

FRANCHISORS REPORT SLOWER SALES GROWTH FOR ICE CREAM STORES AND DONUT SHOPS IN 1979

Franchise Ice Cream Stores and Donut Shops are two important components of the foodservice industry. In 1979, they had combined sales of over $1 billion. The Commerce Department, in *Franchising in the Economy*, classifies these establishments as "Food Retailers Other than Convenience Stores" and as a result, their sales are not included in the $24.8 billion total recorded by franchise restaurants in 1979. (For the 1979 Franchise Restaurant Report, see March, 1981 *Foodservice Trends*.) We will present highlights of the 1979 sales and establishment data for franchise Ice Cream Stores and Donut Stores in this report.

Franchise Ice Cream Store Sales Up 6.4 Percent

Sales for franchise Ice Cream Stores increased 6.4 percent in 1979, according to the Department of Commerce Report, *Franchising in the Economy, 1979-1981*. This is considerably less than 1978's gain of 51 percent, and is due primarily to the substantial drop in sales at company owned establishments as well as a decline in the number of units which fell from 5,960 in 1978 to 5,355 in 1979. Respondents are forecasting stronger sales growth in 1980 and 1981 of 12.5 percent and 13.3 percent, however. Sales at company-owned ice cream stores decreased 32 percent in 1979 and are expected to decline 9.5 percent in 1980 as well, but a slight increase of 2.2 percent is projected in 1981. Sales for franchisee-owned units increased almost 9 percent in 1979 and franchisors predict stronger growth of 13.3 percent in 1980 and 13.6 percent in 1981.

In 1979, the number of outlets of franchise Ice Cream Stores declined 10.2 percent. Respondents forecast an increase of 5.1 percent in 1980 and a substantially higher 13.7 percent gain in 1981. Franchisee-owned unit growth is projected to be stronger than that for company owned units in the next years. Franchisee-owned establishments are estimated to advance 5.6 percent in 1980 and 13.8 percent in 1981 compared to a decline of 17 percent in 1980 and a slight gain of 1.1 percent in 1981 for company-owned units.

Franchise Donut Shop Sales Equal $555 Million

Franchise Donut Shop sales totaled $555 million in 1979, an increase of 8 percent from the year earlier. This gain is considerably slower than the 31 percent advance recorded in 1978 and the fact that no new franchise firms entered this category in 1979 probably contributed to the poor sales performance. Company-owned unit sales increased 17 percent in 1979 compared to the much slower 7 percent gain recorded for franchisee-owned units. Respondents predict that this trend will continue in 1980 and 1981 primarily because of the stronger unit expansion forecast for company-owned units. Overall, sales for franchise Donut Shops are estimated to increase 8.5 percent in 1980 and 10.8 percent in 1981.

The number of franchise Donut Shops increased from 2,244 in 1978 to 2,317 in 1979, a 3.2 percent gain. Franchisors predict the number of units will increase 5.1 percent in 1980 and 6.5 percent in 1981.

Ice Cream Store and Donut Shop Sales and Establishments, 1979-1981*

	Ice Cream Stores	
	Sales (000)	**Establishments**
1979	$598,509	5,355
1980	673,380	5,630
1981	762,935	6,399

	Donut Shops	
	Sales (000)	**Establishments**
1979	$555,058	2,317
1980	602,546	2,436
1981	668,015	2,595

*1980 and 1981 estimated by respondents.

SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising in the Economy, 1979-1981.*

WHOLESALE FRUIT AND VEGETABLE PRICES NOT EXPECTED TO BE AFFECTED BY FRUIT FLY INFESTATION

The infestation of fruits and vegetables in certain sections of northern California by the Mediterranean fruit fly will probably have a minimal effect, if any, on wholesale prices of these commodities, according to U.S. Department of Agriculture economist Jules Powell. Prices may increase slightly in the five Southern states (Texas, Florida, South Carolina, Alabama and Mississippi) that had banned California fruit and vegetables to protect their own crops. These quarantines have been lifted, however, and probably did not last long enough to have any significant effect on prices.

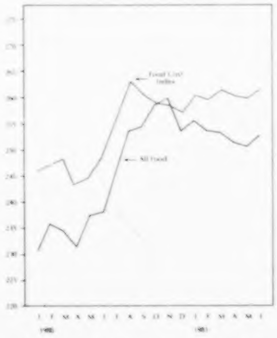
The outbreak of the fruit fly occurred in an area where there is no commercial production, and according to Powell, spraying pesticides has prevented it from infesting the major producing areas in the San Joaquin and Sacramento Valleys. Since half of the nation's fruit and vegetable supplies are from California, the infestation could have had a detrimental impact on the foodservice industry. Fresh, canned and frozen fruits and vegetables are important commodities to the restaurant industry, accounting for a combined 11.7 percent of the industry's food purchases. Any significant increase in wholesale prices for these commodities may have resulted in sharply higher food prices for restaurant operators just as the industry was beginning to recover from its economic slump. (See CREST quarterly supplement to this issue.)

Wholesale Food Prices Increase Slightly in June

Wholesale food prices for restaurants advanced 0.6 percent in June from the month earlier according to the NRA Food Cost Index. On the other hand, overall wholesale food costs were up a slightly larger 0.7 percent during the same period. Sharply higher pork prices, up 11.6 percent between May and June, along with a rise in prices for poultry, eggs and sugar contributed to the recent increase in food costs.

During the first six months of this year, food prices for restaurateurs at the wholesale level have averaged 6.3 percent higher than in the first six months of last year. In comparison, wholesale food costs for restaurants advanced only 5.0 percent for all of 1980. Increased prices for fresh vegetables, poultry, pork, dairy products and bakery products so far this year have put upward pressure on food costs for our industry. Restaurant operators should be prepared for a continued rise in their wholesale food costs for much of the remainder of 1981. U.S. Department of Agriculture economists expect prices for many commodities to rise more rapidly during the last half of this year than in the first half. This is especially true for beef, pork and chicken, where decreased supplies and producers' desires for improved profit margins will result in higher prices.

NRA's Food Cost Index
vs.
All Food, Producer Price Index



SOURCE: Bureau of Labor Statistics, Producer Price Index; NRA.

Commodity Price Index
Percent Change

COMMODITY	1979-1980	June '80-June '81	6 Mos. '80-6 Mos. '81	May '81-June '81
Bakery Products	11.7%	8.4%	8.2%	0.5%
Flour and Cereal	12.3	10.6	7.2	NC
Beef and Veal	3.2	(2.1)	(2.8)	NC
Other Meats	(2.7)	25.3	15.6	9.1
Pork	(4.0)	34.3	19.6	11.6
Poultry and Eggs	1.0	20.4	15.6	2.4
Poultry	2.5	20.9	15.9	1.2
Eggs	(2.8)	18.9	(1.6)	5.8
Fish and Shellfish	(3.2)	8.9	(13.8)	0.1
Sugar and Sweets	35.4	(3.2)	11.6	2.0
Sugar	49.6	(14.5)	4.8	4.6
Vegatables	7.5	22.3	36.0	(2.0)
Fresh Vegetables	8.6	26.1	48.9	(4.2)
Fruits and Juices	4.2	4.4	1.6	(2.9)
Fresh Fruit	4.1	(6.5)	(7.8)	(8.0)
Beverages	0.8	(5.5)	(3.3)	0.1
Dairy Products	12.1	6.8	8.8	(0.2)
Fats and Oils	6.4	3.2	3.9	(0.8)
NRA Food Cost Index	**5.0%**	**6.5%**	**6.3%**	**+0.6%**
All Food, Producer Price Index[1]	**8.0%**	**6.1%**	**7.7%**	**+0.7%**

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA.

MARKET RESEARCH GROUP TO MEET AND DISCUSS RESEARCH TECHNIQUES FOR MENU DEVELOPMENT

The National Restaurant Association's Market Research Study Group, a special group of NRA members who are interested in exchanging information on research techniques and learning about new methodologies, announces that its Fall 1981 meeting will be held in New Orleans from September 23 through September 25. The group is scheduled to meet at the beautiful Royal Sonesta Hotel located in the heart of New Orleans' French Quarter.

The Fall meeting will focus on research techniques used in menu development and product testing, and the program and top ranked speakers promise to be excellent. A preview of the sessions include:

- Developing ideas for new products and changing existing products
- Product testing techniques
  —taste tests
  —price testing
  —image tests
- Follow-up research—how to measure progress after introducing a new product
- Case study—report from a major chain on successful product introduction
- Panel discussion—share your experiences and learn from others

Final agenda information, registration and reservation forms for this exciting meeting will be mailed soon to members and those who expressed interest in this group via a registration form included in the May *Foodservice Trends*. Other NRA members who would like to receive additional information on this meeting can do so by contacting NRA's Research and Information Services Department, 311 First Street, N.W., Washington, D.C. 20001 or call (202) 638-6100.

Industry Index

RETAIL SALES (000,000)	June 1981	Percent Change vs. June Year Ago	Year to Date Sales 1981	Percent Change vs. Year Ago
All Retailers	$86,788	+12.2%	$496,088	+10.5%
Eating & Drinking Places	$ 8,375	+12.0%	$ 46,212	+11.1%
Food Stores	$19,716	+11.8%	$114,914	+ 9.9%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

EATING PLACE INDICATORS (000,000)	May 1981	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$7,376	+11.7%	$33,305	+10.8

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (May)	(+2.7%)	(+1.2%)

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

CONSUMER PRICES (June)	Percent Change vs. May Year Ago	Percent Change 1981 to Date vs. Year Ago
Food at Home	+ 8.3%	+ 9.6%
Food Away from Home	+ 9.0%	+ 9.6%
All Items Less Food	+ 9.7%	+10.7%

(Source: Bureau of Labor Statistics.)

EMPLOYMENT AND EARNINGS	April 1981	Percent Change vs. Year Ago
Total Employment	4,962.1	+4.0%
Nonsupervisory Employment	4,574.5	+4.0%
Nonsupervisory Average Hourly Earnings	$3.91	+7.0%
Average Weekly Hours	25.8	NC

(Source: Bureau of Labor Statistics.)

NRA

FOODSERVICE TRENDS

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NATIONAL
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FOODSERVICE TRENDS

A Supplement to
the Washington Report
September 4, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

NRA NEEDS YOUR COOPERATION

Do you wonder how much top executives and managers receive in salary and other benefits at companies similar to your own? Is your benefit package competitive with others in the industry? The answers to these questions and more will be available from a new executive compensation and benefit study the NRA is conducting in cooperation with the accounting firm, Laventhol & Horwath. We urge each NRA Key member to participate in the study by completing the survey that will be mailed in mid-September and returning it to Laventhol & Horwath. Information you submit will be used only in arriving at totals for the report and will be kept in strictest confidence.

The type of operations included in the new study are Full Menu, Tableservice; Limited Menu, Tableservice; Limited Menu, Fast Food; Cafeterias; Coffee Shops and diversified companies. A wide variety of important information will be summarized for top executives and managers at the Central Office, Regional and Unit levels regarding:

- base salary
- bonus and/or incentives
- profit sharing
- total compensation
- other benefits such as stock options, medical and insurance benefits and entertainment allowances
- estimated cost of all benefits

Also, compensation for each executive position will be available by:

- type of organization
- ownership
- type of restaurant
- geographic scope of operations
- sales volume

The 1979 *Executive Compensation And Benefits In The Foodservice Industry* has been a valuable tool for restaurant operators providing them with an objective review and analysis of executive compensation packages. NRA's new survey will update the 1979 study, however, without your help this study will not be possible. Again, we urge each NRA Key member to take the time to fill out the survey and return it to Laventhol & Horwath.

WHOLESALE FOOD COSTS INCREASE IN JULY

Wholesale food costs for restaurant operators increased 0.9 percent in July from the month earlier, according to NRA's Food Cost Index. In comparison, overall wholesale food costs increased 1.3 percent in the same one month period. A decline in prices for fish and shellfish, sugar and fresh vegetables along with a moderate advance in pork prices, helped to moderate the rise in food costs for restaurant operators in July.

In the first seven months of this year, overall wholesale food costs have increased at a faster rate than food costs for restaurant operators. The Bureau of Labor Statistics All Food, Producer Price Index averaged 7.1 percent higher in the first seven months of this year compared to a gain of only 5.8 percent for food costs for restaurant operators.

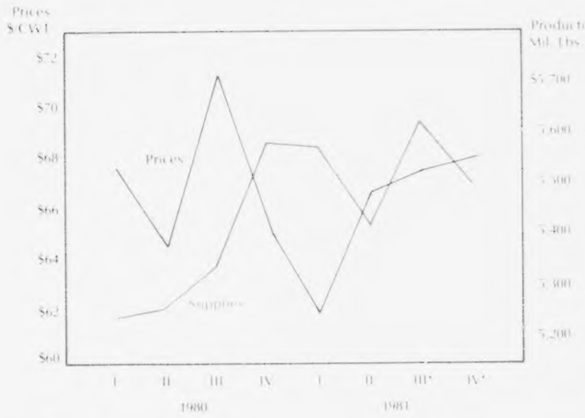
Wholesale food prices are expected to continue to rise throughout 1981 due primarily to smaller supplies of red meat and pork in particular. Despite the infestation of the Mediterranean fruit fly in California, USDA economists still predict it will have little or no effect on prices and supplies of fruits and vegetables. Prices for fresh fruits have averaged 8.2 percent below year earlier levels during the first seven months of 1981. This is attributed, in part, to a drop in consumer demand as many may be afraid they are purchasing infested fruit.

In the following paragraphs of this report, we have briefly reviewed the short term outlook for beef, pork, chicken, eggs, vegetables, fruit and coffee.

BEEF: Beef production increased 3 percent in the second quarter of 1981 from the same period a year earlier due to higher slaughter of both grain fed and grass fed cattle. Production is expected to increase in the third quarter (July, August, September) as well, up 4 percent from the year earlier. Production in the last three months of the year is expected to decline almost 1.5 percent from a year ago, however. Recent rains have improved grazing conditions and producers have opted to keep their animals feeding on grass rather than sending them to market.

Prices of Choice, grain fed steers are expected to average $66 to $68 per hundredweight in the summer quarter, a decrease of 5 percent from the year earlier. The drop in prices is attributed to larger beef supplies and to the slowdown in the economy. Fall prices are forecast to strengthen somewhat to $67 to $71 per hundredweight, a gain of 5.3 percent from the year earlier, as fewer cattle are expected to go to market.

Beef Prices and Supplies, 1980-1981



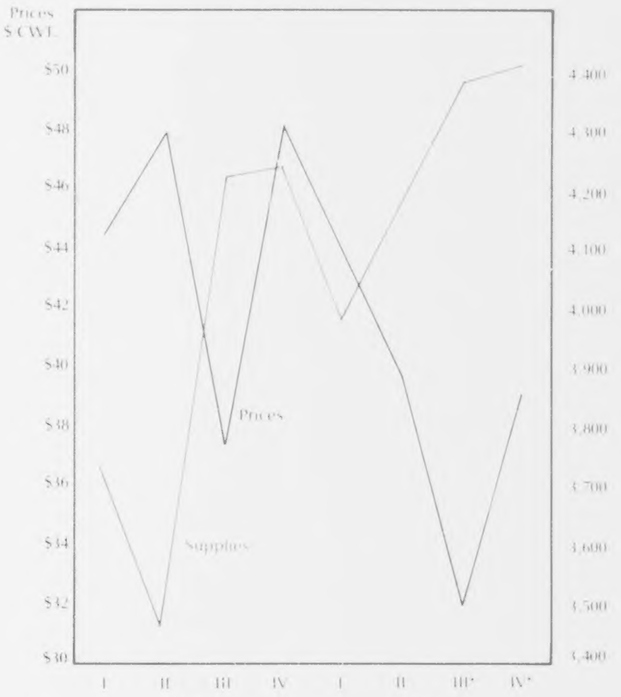
*FORECAST

SOURCE: U.S. Department of Agriculture

PORK: Commercial hog production declined 10 percent in the second quarter from a year ago as a result of seasonal factors and smaller hog inventories. Summer quarter production is forecast to drop 7 percent from year earlier levels. Last summer's output figures are somewhat distorted, however, as above normal temperatures reduced daily weight gains causing production to drop considerably. Fall quarter output is projected to decrease almost 10 percent from a year ago. USDA economists predict output of pork to continue to decline in the first half of 1982 provided producers reduce their June through November farrowing as indicated earlier in the year.

Hog prices strengthened considerably in the April through June quarter, up 40 percent from the year earlier. Prices are expected to remain strong throughout 1981, averaging $48 to $51 per hundredweight in the third quarter, an increase of 7 percent from the year earlier. Prices in the fourth quarter are expected to remain in the $48 to $51 range, averaging 8 percent above year earlier levels.

Pork Prices and Supplies, 1980-1981



*FORECAST

SOURCE: U.S. Department of Agriculture

NRA FOODSERVICE TRENDS

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Susan F. Mills	Director, Research and Information Services
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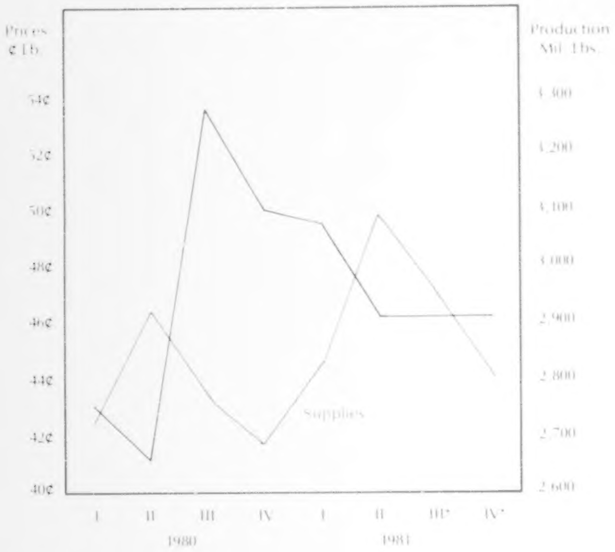
Rachel A. Zachary	Research Associate

Chicken Prices and Supplies
1980-1981



*FORECAST

SOURCE: U.S. Department of Agriculture

CHICKEN: Chicken output increased 6 percent in the second quarter from the same period in the prior year. Production is expected to advance 7 percent in the July-August-September period from the prior year when output was below normal as a result of the drought. Output in the final three months is expected to rise as well, up 4 percent from the year ago; however, it will be 5 percent lower than the previous quarter's production.

Chicken prices averaged 46 cents per pound in the second quarter, an increase of 12 percent from the same period in 1980. Prices are expected to strengthen from a low of 46 cents per pound in the second quarter to 49 to 51 cents per pound in the last half of the year because of reduced supplies of red meats, particularly pork.

EGGS: Egg production equalled year earlier levels in the second quarter of this year and is expected to remain close to year earlier levels throughout the remainder of 1981.

Egg prices strengthened considerably in the second quarter, rising to 69 cents per dozen from 57 cents per dozen in the same period last year. Prices are expected to continue strong into the third and fourth quarters, ranging from 72 to 74 cents per dozen and 74 to 77 cents per dozen, respectively.

VEGETABLES: Wholesale prices for fresh vegetables were 45.5 percent higher in the first seven months of this year compared to the same period in 1980 primarily the result of the damaging January freeze in Florida and smaller crops. Prices have been declining in the past several months, however, due to seasonally increased supplies. Wholesale prices declined 0.3 percent in July from the month earlier and are expected to drop slightly in August as well.

Growers and producers of the major processing vegetables planned a 4 percent reduction in planted acreage this year, and if crop yields are average, tonnage will be approximately 10 percent smaller than last year. These reduced supplies will put upward pressure on prices, and increased costs for marketing and processing will cause prices of most canned vegetables to be moderately higher than a year ago.

Commodity Price Index

	Percent Change			
COMMODITY	1979-1980	July '80-July '81	7 Mos. '80-7 Mos. '81	June '81-July '81
Bakery Products	11.7%	8.4%	8.7%	0.4%
Flour and Cereal	12.3	9.8	10.2	0.4
Beef and Veal	3.2	(4.3)	(3.1)	2.2
Other Meats	(2.7)	12.3	15.1	3.5
Pork	(4.0)	18.3	19.4	3.8
Poultry and Eggs	1.0	NC	13.1	3.5
Poultry	2.5	(4.8)	12.3	2.6
Eggs	(2.8)	16.2	15.1	6.0
Fish and Shellfish	(3.2)	5.1	0.6	(1.0)
Sugar and Sweets	35.4	(4.0)	9.2	(1.5)
Sugar	49.6	(16.3)	1.9	(2.8)
Vegetables	7.5	20.9	33.6	0.2
Fresh Vegetables	8.6	23.8	45.5	(0.3)
Fruits and Juices	4.2	1.9	1.6	2.5
Fresh Fruit	4.1	(10.5)	(8.2)	6.9
Beverages	0.8	(2.3)	(3.4)	NC
Dairy Products	12.1	4.9	8.5	NC
Fats and Oils	6.4	NC	3.9	1.6
NRA Food Cost Index	**5.0%**	**3.4%**	**5.8%**	**0.9%**
All Food, Producer Price Index[1]	**8.0%**	**4.1%**	**7.1%**	**1.3%**

[1] Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA

FRUIT: Fresh fruit prices averaged 8.2 percent lower in the first seven months of 1981 compared to the year earlier period. Prices increased 6.9 percent in July from the month earlier, however, due to smaller crop yields, and prices are expected to remain higher as a result of this.

Noncitrus fruit production was estimated to be 13 percent lower than last year's crop, although record crops of plums and nectarines are possible. They may rise 4 percent and 13 percent respectively over last years, crop. As mentioned earlier, the infestation of California crops by the Mediterranean fruit fly is not expected to have any affect on overall prices and supplies of fruit. Most of the summer fruit such as cherries, nectarines, peaches and plums had already been picked and was not infested by the fruit fly. The citrus crop is not expected to be affected by the infestation either. The 1981 apple crop is forecast to decline 9 percent from a year ago, and peach and pear crops are expected to fall 5 percent and 6 percent, respectively, from year earlier levels.

COFFEE: The recent freeze in Brazil is not expected to have much of an impact on coffee prices and supplies, according to USDA economist Fred Gray. Early reports indicate that the freeze was particularly severe in the region of Parna, where only a small percentage of Brazilian coffee is grown. Following the devastating freeze in 1975, farmers began planting trees closer to the equator in an effort to protect them from a potentially damaging freeze, and this may have helped mitigate damage from the recent bad weather. If the impact of the freeze is more severe than early reports have indicated, current large coffee supplies will help offset any price increases that could result.

Retail prices of processed coffee have been falling in recent months. The average price of a one pound can of roasted coffee fell almost 9 percent from $2.78 in January to $2.54 in May. USDA economists estimate retail prices will hold near $2.50 per pound for the remainder of 1981.

Industry Index

RETAIL SALES (000,000)	**July 1981**	**Percent Change vs. July Year Ago**	**Year to Date Sales 1981**	**Percent Change vs. Year Ago**
All Retailers	$89,615	+12.2%	$586,439	+10.9%
Eating & Drinking Places	$ 8,477	+11.0%	$ 54,483	+10.6%
Food Stores	$20,996	+12.6%	$135,953	+10.4%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (July)	**Percent Change vs. July Year Ago**	**Percent Change 1981 to Date vs. Year Ago**
Food at Home	+ 8.0%	+ 9.4%
Food Away from Home	+ 9.2%	+ 9.5%
All Items Less Food	+11.3%	+10.8%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	**June 1981**	**Percent Change vs. Year Ago**	**Year to Date Sales**	**Percent Change vs. Year Ago**
Eating Place Sales	$7,223	+ 9.4%	$40,504	+10.5

	Percent Change vs. Year Ago	**Percent Change Year to Date vs. Year Ago**
Real Eating Place Sales (June)	+0.4%	+0.9%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	**June 1981**	**Percent Change vs. Year Ago**
Total Employment	4,924.1	+3.4%
Nonsupervisory Employment	4,543.4	+4.9%
Nonsupervisory Average Hourly Earnings	$3.93	+6.8%
Average Weekly Hours	26.3	(0.8%)

(Source: Bureau of Labor Statistics.)

Look For Us in New Publication in October

This is just a reminder to our readers that "Foodservice Trends" will be included in the National Restaurant Association's new publication, *NRA News*, in October. The information we currently publish, including CREST data, wholesale prices and supplies, consumer trends and reports on the overall state of the industry, will be in the new publication. The "Foodservice Trends" section will be easily identifiable, and often readers will be able to find other distinctive feature articles and legislative stories which will be related to the economic and statistical data presented in "Foodservice Trends."

The 12-page section of "Foodservice Trends" in the October issue of *NRA News* will include an article on changes in the types of menu items consumers are ordering as they have become more aware of the relationship between diet and health. Also, new industry information will be presented from the results of a recent NRA/CREST study on the demographics of menu items ordered.